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TAXATION

AND

THE FUNDING SYSTEM.

A

TREATISE

ON THE

PRINCIPLES AND PRACTICAL INFLUENCE

OF

TAXATION

AND

THE FUNDING SYSTEM.

BY J. R. M^c^CULLOCH, Esq.

MEMBER OF THE INSTITUTE OF FRANCE.

THE SECOND EDITION,

CORRECTED, ENLARGED, AND IMPROVED.

"Neque quies gentium, sine armis; neque arma, sine stipendiis; neque stipendia sine tributis haberi queunt." TACITI HIST., iv. 74.

LONDON:

LONGMAN, BROWN, GREEN, AND LONGMANS.

MDCCCLII.

London:
Spottiswoodes and Shaw,
New-street-Square.

PREFACE

TO

THIS EDITION.

Six years have elapsed since the former edition of this work was published. During this period, the theory of taxation has been further inquired into; and some of the taxes we had occasion to notice have been repealed or modified. The house-tax has been revived; and the income-tax has been the topic of numerous and lengthened, if not very instructive, discussions. Great changes have, also, been effected in our commercial policy, which have materially influenced some parts of our fiscal system. In endeavouring to profit by the additional information which has thus been afforded, we have subjected every part of our work to a careful revision. And though the principles embodied in it continue to be nearly the same as formerly, we would fain hope that they have been set in a clearer light; that the groundlessness of the objections made against them has been rendered more obvious; and that the practical operation of the more important taxes and schemes of taxation has been better elucidated.

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Little change has been effected in the character of our taxation since the income-tax was originally imposed by Sir Robert Peel in 1842 ; and it may, perhaps, be doubted whether that little has been an improvement. The repeal of a tax is a very easy matter; but the judicious selection of a new or modification of an old tax, and its assessment on sound principles, is a very different affair, and requires not only ability, but frequently, also, no little courage. The clamour of the selfish, and the "ignorant impatience" of taxation on the part of large numbers, are not the only or even the most formidable difficulties with which a finance minister has to deal. The best of men are apt to be swayed by a desire to protect or favour certain classes, by exempting them, in whole or in part, from taxes imposed on others. This, however, is a mistaken and short-sighted policy, which should be carefully guarded against. It necessarily involves a greater or less degree of injustice; and becomes a precedent which may be perverted to the most pernicious purposes. But these topics being fully treated of in the following work, need not be further noticed in this place.

London, December, 1851.

PREFACE

TO

THE FIRST EDITION.

Considering the importance of taxation, both as regards the interest of the public and of individuals, it appears singular that it should have been the subject of but few publications. The policy of particular taxes has, indeed, frequently engaged the attention of the legislature, and given birth to myriads of tracts. But these have been, for the most part, of little value, and are now all but wholly forgotten. And, though it had been otherwise, the influence of taxation over public prosperity could not be learned from such desultory discussions. It cannot be advantageously treated of in parts. To be properly understood and appreciated, it must be considered as a whole, and in a general point of view. Little, however, has been done to set it in this light, or to show the way in which the different parts of a fiscal system act upon each other, and its various bearings and incidences on society. That portion of the

"Wealth of Nations" which refers to Taxes and Public Debts, the chapters on the same subjects in Mr. Ricardo's "Political Economy," and the treatise of Sir Henry Parnell on "Financial Reform," are the only works of any eminence on fiscal policy of a comprehensive character that have appeared in this country. But the first of these having been published so far back as 1776, is necessarily in many respects little applicable to the present state of things. Mr. Ricardo's investigations are too abstract to be of much practical utility; and the more recent publication of Sir H. Parnell is but indifferently calculated to supply the deficiencies of his predecessors: being of limited extent, and including lengthened discussions on various branches of the public expenditure, his remarks on taxation are, for the most part, brief and superficial, and he omits, indeed, all mention of several of the most important and difficult questions involved in its discussion.

Under these circumstances we cannot be said to have obtruded ourselves upon a field of discussion already fully occupied. We may have failed to accomplish our purpose, but the purpose itself can hardly be objected to. Our work is intended to supply what is certainly a desideratum in economical literature, by furnishing the public with a

pretty full exposition of the principles and practical influence of Taxation and the Funding System. In this view we have endeavoured carefully to trace and exhibit the effect of the principal classes of taxes upon the wealth and well-being of the public. We have not, however, confined our researches to the history and influence of the leading taxes imposed in the United Kingdom. These, no doubt, have engrossed the greater portion of our attention, but we have also investigated the influence of some of the more important taxes imposed in other countries. And we are glad to have to state that the result of these inquiries has been thus far satisfactory, that it shows that, with one prominent exception, there is but little to object to in the principle of the greater number of our taxes; that the abuses and defects with which some of them have been, and continue to be, chargeable, have seldom been occasioned by their being essentially unjust, unfair, or mischievous, but by their having been carried to excess, or by something defective or wrong in the mode of their assessment; and that, consequently, they may be amended with comparatively little difficulty.

The errors which, as we have attempted to show, have been committed in the practice of funding in

this country, admit of no remedy. But it is, notwithstanding, of importance that the true principles and proper line of conduct to be followed in respect to such matters should be ascertained; for though the mistakes of a bygone period, and the effects consequent thereon, may no longer be capable of rectification, their repetition may be prevented ; and the existing generation, and the generations by which it will be followed, may be taught to avoid and profit by the blunders of the past.

We are not, therefore, wholly without the hope that this work may be of some public utility. If the principles laid down, and the inferences drawn from them, be admitted, they may assist in facilitating the adoption of various salutary reforms, at the same time that they may, perhaps, help to thwart some pernicious projects. At all events, whatever may be thought of this book, the more thoroughly the subjects of which it treats are investigated, the better will it be for the ends of truth, security, and good government. It is no easy matter to ascertain the ultimate incidence and real effect of various taxes; and the loudest clamours have frequently been raised against those that were least objectionable, and conversely. But whether the public form a right or a wrong estimate of any

subsisting or proposed tax, or of any financial project, its opinion must necessarily have a powerful influence. It is, therefore, of the utmost consequence that it should be disabused of its errors, that it should learn to look a little below the surface, and cease to mistake appearances and declamation for facts and legitimate reasoning. The more the public mind is enlightened on the subject, the less scope will there be, on the one hand, for misrepresentation and exaggeration, and, on the other, the less excuse for obstinately adhering to vicious systems. The national energies will be less likely to be turned towards vain and perilous schemes, while those that are really beneficial will be more likely to be carried forward. "*Promovere i lumi e la curiosità nelle materie de Finanza e di Commercio, sarà sempre la preparazione migliore di tutti per cominciar le riforme.*" *

* Verri, Meditazioni sulla Economia Politica, ediz. 6ta, p. 214.

In addition to this Treatise Mr. M'Culloch has published the following works, viz.:—

1. A Descriptive and Statistical Account of the British Empire, exhibiting its Extent, Physical Capacities, Population, Industry, and Civil and Religious Institutions. Third and much improved Edition. 2 vols. 8vo. London, 1847.

2. A Dictionary, Geographical, Statistical, and Historical, of the various Countries, Places, and Principal Natural Objects in the World. 2 thick and closely printed vols. 8vo., illustrated with Maps. New and improved Edition. London, 1851.

3. Smith's Wealth of Nations; with a Life of the Author, Notes, and Supplemental Dissertations. Fourth Edition. 1 vol. 8vo., double columns. London, 1850.

4. The Principles of Political Economy; with some Inquiries respecting their Application, and a Sketch of the Rise and Progress of the Science. Fourth Edition. Edinburgh, 1849.

5. A Dictionary, Practical, Theoretical, and Historical, of Commerce and Commercial Navigation. A new and greatly improved Edition, in one large volume 8vo., illustrated with Maps and Plans. London, 1852.

6. The Literature of Political Economy: a Classified Catalogue of Select Publications in the different Departments of that Science, with Historical, Critical, and Biographical Notices. 1 vol. 8vo. London, 1845.

7. A Treatise on the Succession to Property vacant by Death; including Inquiries into the Influence of Primogeniture, Entails, Compulsory Partition, Foundations, &c., over the Public Interests. 1 vol. 8vo. London, 1848.

8. A Treatise on the Circumstances which Determine the Rate of Wages and the Condition of the Labouring Classes. 1 vol. post 8vo. London, 1851.

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TAXATION

AND

THE FUNDING SYSTEM.

INTRODUCTION.

GENERAL OBSERVATIONS ON TAXATION.

Definitions—Necessity of Taxation—Present System of Taxation originated in the decline of the Feudal System—Taxes estimated by Values, and not by Quantities—Improvements in the Arts enable Countries to bear Additional Taxes—Opposite Effects of Moderate and Heavy Taxes—Fallacy of the Doctrine that Taxes are restored to the Contributors by the Expenditure of Government—Erroneous opinion of Locke and Quesnay respecting the Incidence of Taxes—Maxims laid down by Smith with respect to Taxes—Observations on these Maxims—Justice of Duties on Commodities—Excise Scheme of Sir Robert Walpole—Expense and Mode of collecting Taxes—Contributions of compulsory Labour—Conscription.

A TAX is a portion, or the value of a portion, of the property or labour of individuals taken from them by government, and placed at its disposal.

A tax may be either *direct* or *indirect*. It is said to be *direct* when it is immediately taken from property or labour; and *indirect* when it is taken from them by making their owners pay for liberty to use certain articles, or to exercise certain privileges.

A tax may be either *general* or *particular;* that is, it may either affect all classes indiscriminately, or only one or more classes.

Taxation is the general term used to express the aggregate of particular taxes. It is also the name given to that branch of the science of political economy which explains the mode

in which different taxes affect the public interest, and in which the revenue required for the public service may be most advantageously raised.

It would be superfluous to enter into any lengthened arguments to show the utility, or rather necessity, of raising a revenue for the use of the public. The experience of all ages and countries shows that good order and tranquillity at home, security from foreign invasion, and the speedy and impartial administration of justice, are indispensable to the vigorous exercise of industry, the accumulation of wealth, and the well-being of society; and that where they are wanting the energies of the population are prostrated, industry paralysed, and poverty and barbarism universally diffused. The duty of making adequate provision for securing the means by which so much good may be realised on the one hand, and so much evil averted on the other, is, therefore, imperative. An expenditure for such objects is most profitable. It is essential, indeed, to the existence of the body politic, and, being productive of universal advantage, it should be defrayed by the joint contributions of the society. Hence the fundamental principle that, in as far as practicable, all the subjects of a state should contribute, according to their respective abilities, to the sums required to maintain its fleets and armies, with the various functionaries and institutions, necessary for defence against hostile aggression, for the preservation of internal peace, the promotion of prosperity, and the protection of every citizen in the undisturbed enjoyment of his property and rights. It, no doubt, frequently happens that the public has to contribute larger sums than are necessary for the ends of good government. Inasmuch, however, as all abuses of this sort obviously originate either in the misconduct of governments or in something defective in their organization, they do not come within the scope of our inquiries. It is sufficiently clear that, so long as taxes imposed for necessary and legitimate purposes are judiciously assessed, and collected in the way least likely to be injurious, their payment cannot reasonably be objected to. Under such circumstances their expenditure seldom fails to secure an adequate return to the

contributors. But, at all events, it is no part of our business to inquire whether the revenue raised by the state exceed its necessary wants, or whether it be judiciously expended. How important soever, these questions do not affect the principles on which taxes should be imposed, nor the mode of their imposition, and are consequently foreign to the nature and objects of this work: and, leaving them to be examined by others, we shall content ourselves with endeavouring to ascertain the influence of taxation over individual and national wealth; and, by analysing the various methods in which a revenue may be raised, and comparing them together, we shall, perhaps, be able to show which is most advantageous, or rather which is least injurious.

The scheme of taxation now prevalent in modern Europe had its origin in the decline of the feudal system. According to the principles of that system, lands were held as fiefs of the crown, on condition of their possessors performing certain stipulated services; of which the obligation to support the sovereign when he took the field, with a body of retainers armed and maintained at their own expense, was by far the most important. The tenants in chief of the great fiefs, or those who held directly under the sovereign, were either originally invested with, or subsequently usurped, the prerogative of administering justice in their respective lordships; and in those days its administration, instead of being a source of expense, became, through the corruption and abuses with which it was infected, a considerable source of influence and emolument. The clergy were supported partly by the produce of their own estates, and partly by a tithe levied upon the estates of others. And the labour of the peasantry, during a few days before and after harvest, sufficed to put the roads and bridges into that state of repair which the depressed situation of commerce, and the little intercourse among the different parts of the country, seemed to require. It was not even necessary to levy a tax for the support of the monarch and his court. The rents of the crown estates, or of the royal demesnes which had not been granted to others, but remained

in the immediate possession of the sovereign, and the revenue derived from wardships and other feudal incidents, were generally sufficient to defray this part of the public expenditure. When the feudal system was in its vigour, the demesnes of the crown were, in most countries, very extensive; and the alienations occasioned by the profusion and facility of some princes were compensated by the forfeitures and escheats that were always taking place.

The vicious nature of this system is too obvious to require being pointed out; and it had for a long series of years the most disastrous influence over the peace and prosperity of Europe. But the progressive though slow advance of civilization ultimately occasioned its overthrow. Money payments were gradually substituted for personal services. The establishment of standing armies in France* by Charles VII., and their introduction into other countries, entirely broke the power and spirit of the feudal aristocracy; and enabled the different governments to introduce a regular plan of administration, and to enforce that system of pecuniary contribution now universally established.

The amount of a tax is not to be estimated by the *bulk* or *species* of the produce required for its payment, but exclusively by its *value*. A heavy tax abstracts a large, and a light tax abstracts a small value. When the cost of an article is reduced, its price necessarily declines in an equal degree; and (if the value of money continue stationary) its producers have to sell a proportionally larger quantity to obtain the means of paying the same amount of taxes. But it is an obvious error to suppose, as is commonly done, that there is a consequent addition to the burden of taxation. The values paid by the contributors remain the same; and it is by these, and not by quantities, that the weight of taxation is to be measured. If, through improvements in agriculture, machinery, or any other cause, *two* quarters of wheat, or *two* yards of cloth, were produced with the same expenditure of

* Hallam's "Middle Ages," vol. i. p. 118.

capital and labour that is now required to produce *one* quarter or *one* yard, it would be no hardship to give *double* the present quantity of wheat and cloth in payment of taxes.

The want of attention to this principle has led to much erroneous reasoning on the subject of taxation. Even Smith made no sufficient allowance for the influence of improvements in enabling a country to bear additional taxes. Nothing, however, can be more obvious than that the amount of the national produce taken by governments as revenue may be regularly increased in countries in which the arts are progressive, without adding to the burdens of their inhabitants. Every invention and discovery by which production is facilitated, or by which a larger return is obtained for the same outlays of capital and labour, enables individuals to spare, without inconvenience to themselves, proportionally larger quantities of produce for the use of the state. A cotton manufacturer may now, perhaps, have to sell ten or fifteen times as much calico or cambric to obtain the means of paying taxes as would have sufficed to make an equal payment forty or fifty years ago. This, however, is not a consequence of taxation having been increased, but of cottons having fallen in value. And as this fall has been occasioned by an equivalent diminution in the cost of their production, the manufacturer is not thereby placed in any respect in a worse situation; nor is he making any greater sacrifice now than formerly. Governments have, therefore, precisely the same interest as their subjects in facilitating production; inasmuch as it permits them to add to the produce at their disposal, without really adding to the weight of taxation; whereas, on the contrary, a diminished facility of production must either diminish in an equal degree the produce appropriated by government, or compel it to lay heavier burdens on its subjects. Public wealth, in short, is merely a portion of private wealth transferred to government; and the greater the amount of the latter, the greater, of course, will be the magnitude of the portion that may be conveniently spared for public purposes.

Though taxation be necessary, it should always be kept within the narrowest limits. The best taxes, provided they produce the necessary supplies, may, speaking generally, be said to be the lightest, or those of which the pressure is least felt. But how light soever, all taxes neeessarily at first encroaeh somewhat on the means of enjoyment or of accumulation; and whatever may be their amount, and however imposed, they fall either on the revenue of the eontributors or on their capital or stock. Perhaps, indeed, there is no tax the produee of which is not partly derived from both these sources. It is, however, abundantly eertain that taxes, when judiciously imposed, and not carried to an oppressive height, occasion an increase of industry and eeonomy, and but rarely encroach on eapital. Under these eonditions they operate as motives to restrain expense, and as ineentives to labour and ingenuity, their usual effect being to eause the produetion of more wealth than they abstract. But the power to make inereased exertions, and to save from expense, though not easily defined, is not illimitable. And whenever this limit has been passed, that is, whenever the burden of taxation is not fully eompensated by increased production or inereased saving, it eneroaches on the means of future production, and the country begins to retrograde. Taxation, when carried to this extent, is one of the severest scourges to whieh a people can be subjected. By diminishing eapital, or the funds destined to support produetive industry, it lessens the national revenue, the only fund out of which taxes ean be permanently paid; and lays the sure foundation of publie poverty and disgrace, in the destruetion of private fortunes. Like falling bodies, which are precipitated with a constantly and rapidly increasing velocity, a system of taxation aeting on capital multiplies pauperism and distress in a geometrical proportion, and destroys alike the desire and the means of reproduction.

It would, however, be an error to suppose that a tax necessarily falls on eapital beeause it is laid on eapital, or on income because it is laid on income. A moderate tax laid on capital may be, and generally is, defrayed out of ineome;

whereas an oppressive tax laid on income has in most cases to be partly paid from capital. But of all species of taxes, those would seem to be among the worst which necessarily fall on capital, without giving the contributors an opportunity to defray them from revenue. By diminishing the means of reproduction, they in so far diminish the future taxable income of the country. The legacy duty, as will be afterwards seen, has been objected to, though perhaps without much reason, on this ground.

The writers on finance, patronised by European governments, have mostly laboured to show that taxation is never a cause of diminished production; but that, on the contrary, every new tax creates a new ability in the subject to bear it, and every increase of the public burdens a proportional increase in the industry of the people. The fallacy of this opinion, when advanced thus absolutely and without reservation, has been ably exposed by Hume in his "Essay on Taxes." But, as already seen, it is undoubtedly true that the desire to maintain and improve their condition, stimulates most men to endeavour to discharge the burden of additional taxes by increased industry and economy, without allowing them to encroach on their means of subsistence, or on their fortunes.

The operation of this principle has been strikingly evinced in the financial history of this country since the commencement of the American war. That contest, and the more recent struggle with revolutionary France, occasioned a vast increase of taxation, and an expenditure that has no parallel in the history of the world. The public debt, which amounted to about 129 millions in 1775, amounted to about 848 millions in 1817; and, in addition to the immense sums raised by borrowing, the gross produce of the taxes levied in the United Kingdom during the late war exceeded the enormous sum of 1100 millions sterling! And yet the rapid increase of population—the wonderful progress and improvement of agriculture, manufactures, and commerce—the extension and

embellishment of towns and cities—the formation of so many new docks, roads, and canals—and the infinite variety of expensive undertakings entered upon and completed in all parts of the country during the continuance of hostilities—show clearly that the savings of the mass of the people greatly exceeded the warlike expenditure of government and the unprofitable expenditure of individuals. It may be safely affirmed that no other country could have made such extraordinary exertions without being ruined. And we owe the power to make them to a variety of causes, but chiefly, perhaps, to that security of property and freedom of industry which we enjoy in a greater degree than any other European nation, and to that universal diffusion of intelligence which enables those who carry on industrious undertakings to press all the powers of nature into their service, and to avail themselves of productive energies of which a less instructed people would be wholly ignorant.

Speculative inquirers have sometimes indulged in conjectures as to what would have been our present situation had the wars which have occasioned the contraction of so large a debt, and the expenditure of such vast sums, not occurred. Smith appears to have concluded that, in the event of our having enjoyed perpetual peace since the Revolution, almost the whole sums which have been since laid out on warlike enterprises would have been added to the national capital, and that we should in consequence have been incomparably richer, more populous and powerful. "Had not these wars," he observes, "given the particular direction to so large a capital, the greater part of it would naturally have been employed in maintaining productive hands, whose labour would have replaced, with a profit, the whole value of their consumption. The value of the annual produce of the land and labour of the country would have been considerably increased by it every year, and every year's increase would have still more augmented that of the following year. More houses would have been built, more lands would have been improved, and those which had been improved before would have been better cultivated. More manufactures would have been

established, and those which had been established before would have been more extended; and to what height the real wealth and revenue of the country might by this time have been raised it is not perhaps very easy even to imagine."*

But this, though a popular, is a very doubtful conclusion. A speculation of this sort is necessarily, indeed, encumbered with so many difficulties as to admit of little else than probabilities; though these, we think, go far to warrant the belief that, but for the contests in which we have been engaged since the Revolution, the greater portion of the wealth expended in carrying them on would never have existed. Smith forgot that an increase of taxation has the same influence over nations that an increase of their families or of their necessary expenses has over individuals. The constantly increasing pressure of taxation during the war begun in 1793, was felt by all classes, and gave a spur to industry, enterprise, and invention, and generated a spirit of economy which we should have in vain attempted to excite by any less powerful means. Had taxation been very oppressive, it would not have had this effect; but it was not so high as to produce either dejection or despair, though it was at the same time sufficiently heavy to render a very considerable increase of industry and parsimony necessary to prevent it from encroaching on the fortunes of individuals, or, at all events, from diminishing the rate at which they had previously been increasing. Man is not influenced solely by hope, he is also powerfully influenced by fear. Taxation brings the latter principle into the field. To the desire of rising in the world, implanted in the breast of every individual, an increase of taxation superadds the fear of being cast down to a lower station, of being deprived of conveniences and gratifications which habit has rendered all but indispensable; and the combined influence of the two principles produces results that could not be produced by the unassisted

* See the edition of the Wealth of Nations by the author of this work, in one vol. 8vo. p. 153.

agency of either. Without the American war and the late French war there would have been less industry and less frugality, because there would have been less occasion for them. And we incline to think that those who inquire dispassionately into the matter will most probably see reason to conclude that the increase of industry and frugality occasioned by these contests more than sufficed to defray their enormous expense, and that the capital of the country is probably about as great at this moment as it would have been had they not occurred.

But we must be on our guard against the abuse of this doctrine, and must not suppose that, because it holds in certain cases and under certain conditions, it will, therefore, hold in all cases and under all conditions. To render an increase of taxation productive of greater exertion, economy, and invention, it should be slow and gradual; and it should never be carried to such a height as to incapacitate individuals from meeting the sacrifices it imposes by such additional exertions and savings as it may be in their power to make without requiring any very sudden or violent change in their habits. The increase of taxation should never be so great as to make it impracticable to overcome its influence, or to induce the belief that it is impracticable. Difficulties that are seen to be surmountable sharpen the inventive powers, and are readily and vigorously grappled with; but an apparently insurmountable difficulty, or such an increase of taxation as it was deemed impossible to defray, would not stimulate, but destroy exertion. Whenever taxation becomes so heavy that the wealth it takes from individuals can no longer be replaced by fresh efforts, these efforts uniformly cease to be made; industry is paralysed, and the country declines. Oppression, it has been said, either raises men into heroes or sinks them into slaves; and taxation, according to its magnitude and the mode in which it is imposed, either makes men industrious, enterprising, and wealthy, or indolent, dispirited, and impoverished.

But, though the probability be that the capital of the country is about as great at present as it would have been

had the late war with France not occurred, it must not be supposed that we sustain no inconvenience from the taxes imposed to defray its expense. Undoubtedly they form, and will most probably continue to form for a lengthened period, a considerable drawback on our industry and prosperity. They have this effect, not so much by reason of their magnitude compared with our ability to bear them, as by reason of their magnitude compared with what are believed to be the lower taxes of some other countries, and the consequent temptation they create to transfer capital and skilled labour to them.* The decline of Holland may be traced to the operation of similar circumstances. Notwithstanding the vast expense of her revolutionary struggle with Spain, and of her subsequent contests with England and France, the capital of the republic increased prodigiously during the latter half of the 16th and the greater part of the 17th century. But despite this increase, the number and magnitude of the taxes which it became necessary to impose, to defray the interest of the debt and the current expenditure, so reduced the rate of profit, that her capitalists were tempted to vest very large sums in foreign countries, and that her manufactures and commerce gradually declined.

We shall have other opportunities of recurring to the important considerations now merely glanced at; and we only mention them at present lest it might be supposed that, in exhibiting the powerful influence of increased taxation in stimulating industry and economy, we were unconscious of, or had overlooked, the serious inconveniences that may follow such increase, if it be not confined within reasonable limits.

The effects, now alluded to, of the too great increase of taxation are, for the most part, developed only by slow degrees, and are not in general very sensibly felt till a considerable period after it has taken place. The injurious effects that have been observed immediately to follow certain taxes will, we believe, be almost uniformly found to have resulted either

* It is generally believed that taxation is higher in Great Britain than in most European states; but there is no real foundation for such belief.

from something vicious in the nature of the taxes, or from their being suddenly carried to an oppressive height. Taxes of a definite amount, that admit of being fairly assessed and collected, without requiring any offensive inquisition into the affairs of individuals, and without obstructing improvements, may be gradually increased to what might, *à priori*, be considered a most oppressive extent, without any immediate injury to industry, and without occasioning discontent. But taxes that may be increased or diminished at the pleasure of the collectors, or which affect only certain classes of properties or persons, or which cannot be assessed without prying into the circumstances of the contributors, or which discourage improvements, uniformly occasion, even when comparatively light, the greatest dissatisfaction, and have a most pernicious influence. The extremely vicious nature of the taxes to which Spain has been subjected, and not their magnitude, has been one of the most potent causes of the decline of her industry, and of the abasement into which she has sunk.

It should be observed, in estimating the influence of taxation over the condition of society, that the repeal of any important tax, if it have existed for a considerable time, usually occasions a comparatively rapid increase of accumulation. The habits of the population having been accommodated to the tax, its withdrawal, unless it have been imposed on some article in very general demand, makes little difference in the expenditure of most people. And even supposing it had been imposed on an article in extensive demand, its consumption by the upper and even the middle classes will most probably be but little affected; so that, though some part of the saving effected by the repeal of the tax will no doubt be absorbed in increased purchases of the article itself, and of other things, the fair presumption is, that a considerable portion will be added to their accumulations. We incline to think that the operation of this principle has been strongly felt in this country since the termination of the war, and that the habits of saving which grew out of the privations it entailed on the bulk of the population have made large portions of the sums saved to the middle classes by the repeal of taxes be added to

their accumulations, and have had, in this way, no inconsiderable influence in promoting the great increase of capital that has since taken place.

Besides contending that the uniform effect of taxes is to create a new ability in the people to bear them, modern financiers have also contended that they are not really lost to the contributors, but are restored to them through the expenditure of government and its agents! And notwithstanding the almost obvious fallacy which this statement involves, it not unfrequently forms the substance of the answers made to those who complain of the injurious influence of oppressive taxes. To show its absurdity, suppose a farmer is taxed 50*l.*, and let us endeavour to ascertain whether the expenditure of this sum by the public functionary, or individual, to whom it has been paid by government, affords any compensation to the farmer for its loss. If the receiver of the tax do not lay it out on articles produced by the farmer, it is obvious it cannot revert to him, and he can derive no advantage from its expenditure. But suppose, which is the most favourable hypothesis for the statement we are combating, that the tax-receiver comes to the farmer to buy his produce, and let us trace the successive steps and effect of the whole transaction: first of all, then, the farmer sold as much corn, or other produce, as was worth 50*l.*; he next paid away these 50*l.* to a tax-collector; and the person who received the 50*l.* from the tax-collector now comes to the farmer and offers them back to him, on condition of his receiving an equivalent in corn or other produce. This is the way in which the money drawn from the pockets of the public by taxation always reverts to them; and if it enrich any one, it is obvious it must do so by making him pay *twice* for the same sum of money! It is to no purpose to endeavour to escape from this *reductio ad absurdum* by telling us that industry is benefited by every extension of the market, and that the consumption of soldiers and sailors is advantageous, because it increases demand. To benefit industry, the market must be real—not nominal; it must be one in which the demanders have sup-

plied themselves, through their own industry or resources, with the money or other equivalents which they offer for commodities. It is contradictory to suppose that either individuals or states should receive the smallest benefit from the demand of those to whom they have previously furnished the means of purchasing. This, however, is always the case with buyers who live on the produce of taxation. And to keep up useless regiments and overgrown establishments, on pretence of encouraging industry by increasing demand, is quite as irrational as it would be for a shopkeeper to attempt to increase his business and get rich by supplying his customers with money to buy his goods.

"To argue," says Dr. Hamilton, "that the money raised in taxes, being spent among those who pay it, is, therefore, no loss to them, is no less absurd than the defence of a housebreaker, who being convicted of carrying off a merchant's money, should plead that he did him no injury, for the money would be returned to him in the purchase of the commodities in which he dealt."*

It is obvious, therefore, that the services rendered by the functionaries who receive taxes form the only return made to the contributors. And it is undoubtedly true that these services are of the highest value, and that, when neither the number nor the salaries of those by whom they are rendered are unnecessarily large, they constitute a full and fair equivalent for the sums expended upon them. But whatever is beyond this—whatever is expended in over-paying public functionaries, or in maintaining such as are unnecessary—is wholly lost to the tax-payers, or is not in any way compensated to them.

The smaller the sacrifice for which the security, protection, and good government, which it is the object of taxation to procure, may be obtained, the better. A diminution of expenditure, and consequently of taxation, confers an advantage on the public, similar to that conferred by a diminution of the

* On the National Debt, 3rd ed., p. 35. This sophism is equally well exposed in the "Lettres d'un Citoyen sur les Vingtièmes," &c., p. 113, published in 1768.

cost of any indispensable or highly desirable article. There is no mystery about the manner in which government is supported. It is not a producer. Its expenditure is not defrayed from its own means, but from those of its subjects. And hence, the greater the expenses of governments, the deeper must they encroach on the incomes or capitals of those who pay taxes, and conversely, unless, as previously stated, they be met by increased industry or economy, or both. But this is not always to be depended upon; and, notwithstanding his wish to be epigrammatic, Say is justified in stating that the best system of finance is to *spend little*, and the best of all taxes, *the least*. *Le meilleur de tous les plans de finance est de dépenser peu, et le meilleur de tous les impôts est le plus petit.*

Various and very discordant opinions have been entertained respecting the real incidence of taxation. Locke in England, and Quesnay and his followers in France and Italy, contended that all taxes, however imposed, fell ultimately on the land. This erroneous opinion originated in their supposing that agriculture is the only productive species of industry; whereas it is in no respect more productive than others. The truth is, that burdens laid directly or indirectly on articles for which there is any considerable demand, fall ultimately on their consumers. A tax on hats raises the price of hats, and a tax on leather raises the price of shoes; for were it otherwise, the profits of the hatters and shoemakers would be reduced below the general level; and as they would not be satisfied with less profit than is made by their neighbours, they would continue to withdraw from their businesses, till, through the diminished supply of hats and shoes, their prices had been raised so as to yield the makers the ordinary profits of stock exclusive of the tax. There are natural limits, however, to the extent to which taxes on commodities can be carried; and their effects differ when they are laid on those required for the consumption of the labouring classes, and on those principally consumed by the higher classes. But before proceeding to inquire into the influence of

particular taxes, it may be as well, perhaps, to make a few observations on the following maxims of Dr. Smith with regard to taxation, which have been much and justly referred to.

First Maxim.—"The subjects of every state ought to contribute towards the support of the government, as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation.

Second.—"The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor and to every other person. Where it is otherwise, every person subject to the tax is put, more or less, in the power of the tax-gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort, by the terror of such aggravation, some present or perquisite to himself. The uncertainty of taxation encourages the insolence and favours the corruption of an order of men who are naturally unpopular even where they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty.

Third.—"Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it. A tax upon the rent of land, or of houses, payable at the same term at which rents are usually paid, is levied at the time when it is most likely to be convenient for the contributor to pay, or when he is most likely to have wherewithal to pay. Taxes upon such consumable goods as are articles of luxury are all finally paid by the consumer, and generally in a manner that is very con-

venient for him. He pays them by little and little, as he has occasion to buy the goods; and as he is at liberty, too, either to buy or not to buy as he pleases, it must be his own fault if he ever suffers any considerable inconveniency from such taxes.

Fourth.—"Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state."*

In a theoretical point of view these maxims are alike comprehensive and accurate. There can be no doubt that, were it practicable, the burden of taxation should be made to press on individuals in proportion to their respective revenues. A., with an income of 1000*l.* a year ought to pay ten times the tax paid by B., who has only 100*l.* a year, and the latter ten times as much as C., who has only a pittance of 10*l.*† The state has been ingeniously compared by M. Thiers to a mutual insurance company, where the payments by the members are exactly proportioned to the sums they have insured, or to their interest in the company. And so it should be with the subjects of government. It is established for the common benefit of all — of those who labour with the hand, and of those who labour with the head; of those to whom property has descended, and of those by whom it has been acquired; and is alike indispensable to their well-being and prosperity. And being so, it necessarily follows that every individual should contribute to its support according to his stake in the society, or to his means. This is a plain as well as a sound rule; and it is one that should never be forgotten or overlooked.

Practically, however, it is not possible to attain to anything like a perfect equality of taxation; and provided no tax be imposed in the view of trenching on this principle,

* Wealth of Nations, 1 vol. 8vo. p. 371.

† It is, perhaps, needless to say, that the incomes of the different parties are supposed to be perpetual, or of the same duration.

or of making one class or order of people pay more in proportion to their means than others, the equality of taxation is of less importance. In this, as in most other departments of politics, we have only a choice of difficulties; and what is absolutely right must often give way to what is expedient and practicable. It is the business of the legislator to look at the practical influence of different taxes, and to resort in preference to those by which the revenue may be raised with the smallest inconvenience. Should the taxes least adverse to the public interests fall on the contributors according to their respective abilities, it will be an additional recommendation in their favour. But the *salus populi* is in this, as it should be in every similar matter, the prime consideration; and the tax which is best fitted to promote, or least opposed to, this great end, though it may not press quite equally on the different orders of society, is to be preferred to a more equal but otherwise less advantageous tax. Were Smith's first maxim restricted to taxes laid directly on property or income, it would be quite as true in a practical as in a theoretical point of view. Equality is of the essence of such taxes; and whenever they cease to be equal, they become partial and unjust. But in laying down a practical rule that is to apply to all taxes, equality of contribution is an inferior consideration. The distinguishing characteristic of the best tax is, not that it is most nearly proportioned to the means of individuals, but that it is easily assessed and collected, and is, at the same time, most conducive, all things considered, to the public interests.

The truth is, that the greater number of taxes, including, we believe, every one that is least injurious, are imposed without any regard to the equality of their pressure. They consist of duties payable by those who use certain articles or exercise certain privileges, and by those only. Taxes of this sort, though not proportioned to the abilities of the consumers, are neither partial nor unfair; and provided they be imposed on proper objects, and kept within reasonable limits, they do not appear to be open to any good objection.

We may refer, in illustration of this statement, to the duties on malt, spirits, wine, and tobacco. These produce a very large annual revenue; and though some of them might, perhaps, be advantageously reduced, they appear—supposing them to be properly assessed—to be, in all respects, unexceptionable. Other duties of this description, such as those on saddle horses, carriages, and livery servants, fall only on the more opulent classes. But this is not the case with the more productive duties; and it must be admitted that the largest portion of the revenue derived from them is paid by the lower and poorer orders. This, however, is not, as has been often alleged, a consequence of the latter being overtaxed, but of their being so very numerous that the produce of taxes to which they generally contribute invariably exceeds the produce of heavier taxes falling exclusively on the richer classes. The duties now under consideration act, in fact, as a species of improved sumptuary laws, having all the useful with few or none of the injurious influences of these regulations. The articles on which they are imposed are rarely, if ever, indispensable; so that the duties may be partially or wholly evaded by those who prefer exercising a little self-denial to making the increased exertion necessary for their payment. But in nine instances out of ten the influence of the duty is of a compound description, infusing at one and the same time a greater spirit of industry and of economy into all classes. A taste for spirituous liquors, by the idleness and dissipation to which it leads, and the sacrifice of the immense sums expended in its gratification, is most injurious to the labouring classes. And hence the duties on such liquors are probably the best of any; for, while they bring large sums into the public treasury, they help to repress vicious indulgences, to improve public morals, and to save the money of the poor.

But though it will, perhaps, be generally admitted that reasonable duties on spirits, tobacco, and such like articles, cannot be justly objected to, it may be contended, with some show of reasoning, that duties on necessaries, or on bread, butchers' meat, salt, tea, sugar, &c. are unjust and unfair,

because of their being indispensable to the consumption of the poor as well as of the rich. The injury, however, which is done to the poor by moderate taxes on necessaries is more apparent than real; for, as will be afterwards shown, wages are, in most cases, increased proportionally to the amount of such taxes. And it commonly, also, happens that the quantity of an article used previously to its being burdened with a moderate duty, may be diminished, or something else be substituted in its stead, or the duty be defrayed by the exercise of greater economy or industry, without entailing any very serious privations on the consumers.

Without, however, insisting on these considerations, we deny that taxes on necessaries can be fairly objected to on the ground of their being unjust. They may, if carried to too great a height, be oppressive, and they may sometimes, perhaps, be inexpedient; but the charge of injustice is not one that can ever be truly made against them. Government has nothing to do with the means of the parties who buy taxed articles. It has done its duty when it has imposed equal and moderate taxes on the articles best suited to bear taxation. Providence has not been charged with injustice because the corn and other articles used indifferently by the poor and the rich, cost the one class as much as they cost the other. And, such being the case, how can it be pretended that governments, in laying equal duties on these articles, commit injustice? A rich man will, of course, pay taxes, and every thing else, with less inconvenience than one who is poor. But is that any reason why he should be unfairly treated? or muleted of a part of his fortune, by being subjected to peculiarly high rates of taxation? Riches are an evidence of superior good conduct; for, in the vast majority of cases, they are the result either of their possessors having themselves been, or of their having succeeded to progenitors who were, comparatively enterprising, industrious, and frugal. The distinction of rich and poor is not artificial. It originates in, and is a consequence of, the differences in the character and economy of individuals. A government which should attempt to obliterate this uneradicable distinction by varying duties

so as to increase their pressure on the more opulent classes would be guilty of flagrant injustice. And it would, by discouraging the exercise of those virtues which are most essential to the public welfare, do its best to sap the foundations and weaken the springs of national prosperity and civilization.

So long, therefore, as duties are imposed on proper objects, and not carried to too great a height, we have yet to learn on what grounds they can be fairly objected to. A revenue must be raised by one means or other; and we are sanguine enough to believe that it will be sufficiently demonstrated in the sequel that such portion of it as may be raised by consumption duties will be the least onerous.

Although, however, it be no valid objection to a large class of taxes that they are not proportioned to the means of the contributors, it may be laid down as a general practical rule that no tax, whether it be proportioned to their means or otherwise, can be a good tax unless it correspond pretty closely with the last three maxims of Smith.

The great defect, for example, of the taxation of France previously to the Revolution*, did not consist so much in its magnitude, or in the oppressive manner in which it was collected, as in its inequality. The principal taxes were direct, and should, therefore, have been proportioned to the abilities of the contributors. But, on the contrary, those who had the largest fortunes, and who, consequently, derived the greatest advantage from the protection afforded by government, were in great measure relieved from these taxes. The nobility and clergy, while they engrossed every situation of power and emolument, were, in as far as possible, exempted from the taille and other heavy and vexatious imposts. And it is no longer a question that the disgust occasioned by this inequality, the impatience of the feudal privileges of the nobility, the abuses that grew out of the venal, partial, and infamous ad-

* The same may be said of the old system of taxation in most continental states; and, though amended in the interval, it is still very defective.

ministration of justice, and the desire of equal rights, mainly contributed to throw France into a flame, and to produce the greatest and most destructive convulsion of which history has preserved any memorial.

The mischiefs occasioned by the inequality of taxation in France were set in a very striking point of view by Arthur Young in his "Travels," which contain the best account of that country previously to the Revolution.

"The abuses attending the levy of taxes," says Young, "were heavy and universal. The kingdom was parcelled into generalities, with an intendant at the head of each, into whose hands the whole power of the Crown was delegated for everything except the military authority, but particularly for all affairs of finance. The generalities were subdivided into elections, at the head of which was a sub-delegate appointed by the intendant. The rolls of the *taille, capitation, vingtièmes,* and other taxes, were distributed among districts, parishes, and individuals, at the pleasure of the intendant, who could exempt, change, add, or diminish at pleasure. Such an enormous power constantly acting, and from which no man was free, must, in the nature of things, degenerate in many cases into absolute tyranny. It must be obvious that the friends, acquaintances, and dependants of the intendant, and of all his sub-delegates, and the friends of these friends, to a long chain of dependence, might be favoured in taxation at the expense of their miserable neighbours; and that noblemen in favour at court, to whose protection the intendant himself would naturally look up, could find little difficulty in throwing much of the weight of their taxes on others, without a similar support. Instances, and even gross ones, have been reported to me in many parts of the kingdom, that made me shudder at the oppression to which numbers must have been condemned by the undue favours granted to such crooked influence. But without recurring to such cases, what must have been the state of the poor people paying heavy taxes, from which the nobility and clergy were exempted? A cruel aggravation of their misery, to see those who could best afford to pay exempted because able! The enrolments for the militia,

which the *Cahiers* call *an injustice without example*, were another dreadful scourge on the peasantry; and, as married men were exempted from them, they occasioned in some degree that mischievous population of beings brought into the world for little else than to be starved. The *corvées*, or police of the roads, were annually the ruin of many hundreds of farmers; more than three hundred were reduced to beggary in filling up one vale in Lorraine: all these oppressions fell on the *tiers état* only, the nobility and clergy having been exempted from *tailles*, militia, and *corvées*."* What but revolution could be anticipated from so monstrous a system?

The taxes of eastern countries seldom correspond with the second maxim of Smith. Their amount is fluctuating and arbitrary, not fixed and certain. In despotic countries all the agents of government are despots in their own peculiar spheres. Though the sum demanded by the Sultan should be defined and ascertained, there are no limits to the extortion and rapacity of his servants. An individual who has paid the tax imposed by the former has no guarantee against being further called upon to pay three or four times as much to the pacha of the province. The security of property is thus completely subverted. And the arbitrary nature of the public burdens is entirely destructive of that spirit of industry which might have flourished under a much greater weight of equal and well-defined taxes.

The pernicious influence of this wretched system is strikingly exemplified in the impoverished and neglected state of the Ottoman dominions. Exclusive of the *miri*, or taxes for the public treasury, and of those called *hazné*, appropriated to the peculiar use of the Grand Seignior, the people are subject to payments in kind for troops passing from one part of the empire to another, to compulsory contributions of labour, compulsory loans, &c. And in addition to these, which may be regarded as burdens imposed for the service of the state, the

* Vol. i. p. 598.

pachas and their satellites squeeze out of the inhabitants all that they possibly can, without inquiring or caring whether their demands be legal. Hitherto the only criterion of an approved administrator in Turkey has been the amount of tribute he has remitted to the public treasury, and the magnitude of his douceurs to those in power. Inquiry is seldom or never made into the means by which this revenue is raised. To rob those below him, that he may bribe those above him, is the constant aim of each petty tyrant through all the gradations of this baleful despotism. Under its blighting influence palaces have shrunk into cottages, cities into villages, and the finest, and of old the most flourishing, countries in the world, are reduced to the most deplorable state of depopulation, poverty, and barbarism.*

Under these circumstances we need not be surprised to learn that, notwithstanding their prejudices, some of the more intelligent Turks have been long aware of the ruinous consequences of the present revenue system, and of the advantages that would result from its being reformed, and limits set to the *avanias* or extortions of the pachas. Nothing, however, was done in futherance of these views till 1839, when a *Hätti Scheriff*, or Imperial Decree, was issued, which, could it be carried into effect, would obviate several of the abuses complained of. But it is idle to suppose that this, or any similar project, can, at present, have any considerable practical influence in Turkey. There is neither public virtue nor knowledge in the country to accomplish any substantial reforms. Nothing short of a miracle would suffice for its regeneration. Corruption and venality are everywhere the order of the day; and our conviction is that the abuses which have so long infected every department of the administration, and shed their deadly influence over every part of the empire, will not be sensibly abated till foreign force or domestic violence overthrow the religion and government, of which they are the bitter but legitimate fruits.

* See "Geographical Dictionary," art. Turkey.

The establishment of the *warehousing* system, or the granting of liberty to the merchant, on payment of a moderate rent, to deposit imported goods in public warehouses, whence they may be withdrawn at pleasure for exportation, and where they may be kept without paying the duties with which they are charged till he finds it convenient to dispose of them for consumption, has made a large branch of our taxation correspond very closely with the third maxim of Smith, the customs duties being now levied at the time and in the manner most convenient for the contributors. Previously to the act of the 43rd of George III. cap. 132., which established this system, the customs duties on imported articles, which constitute a very large portion of the public revenue, had either to be paid at the moment when the goods were imported, or a *bond*, with sufficient security for their future payment, had to be given to the revenue officers. The hardship and inconvenience resulting from a practice of this sort are obvious. It was always difficult and sometimes impossible to find sureties; so that the importers were not unfrequently compelled to sell their goods immediately on their arrival, when, perhaps, the market was already glutted. Inasmuch, too, as the duties had to be paid at once, and not by degrees as the goods were sold for consumption, their price was raised by the amount of the profit accruing on the capital advanced in payment of the duties. And the greater command of funds required to carry on trade under such disadvantages diminished competition, and enabled a few rich individuals in great measure to monopolise the importation of commodities charged with heavy duties. The practice tended, also, to discourage the carrying trade of the country, and to endanger the security of the revenue. For the necessity of paying import duties even on those articles which were destined for re-exportation obstructed the importation of most foreign products (except those from the colonies of which we had a monopoly) that were not likely to be speedily required for home consumption; at the same time that the difficulties attendant on the granting of a really equivalent drawback to the exporters of such as

had paid the duty opened a door for the commission of every species of fraud.

Sir Robert Walpole had a clear conception of the injurious consequences of this system. The famous *Excise Scheme*, proposed by him in 1733, was intended to relieve the importers of tobacco and wine from the necessity of paying the duties chargeable on these articles till they were entered for consumption, by making them be deposited, when imported, in public warehouses, under the joint locks of the king and the merchant. The celebrity of this scheme, and the misconceptions that have been so generally entertained respecting it, incline us to think that we shall gratify the reader by laying before him the following passages from the speech made by Walpole on submitting his plan to the House of Commons.

"The duties now payable upon tobacco, on importation," said Sir Robert, "amount to sixpence and one third part of a penny per pound weight; all which must be paid down in ready money upon importation, with the allowance of ten per cent. upon prompt payment; or otherwise there must be bonds given, with sufficient sureties, for the payment thereof; which is often a great loss to the public, and is always a great inconvenience to the merchant importer. Whereas, by what I am to propose, the whole duties to be paid for the future will amount to no more than fourpence and three farthings per pound weight; and this duty not to be paid till the tobacco comes to be sold for home consumption. So that, if the merchant exports his tobacco, he will be quite free from all payment of duty, or giving bond therefor, or finding out proper sureties for joining in such bond: he will have nothing to do but unload his tobacco on board a ship for exportation, without being at the trouble to attend for having his bonds cancelled, or for taking out debentures for the drawbacks; all which, I conceive, must be a great ease to the fair trader; and to every such trader the preventing of frauds must be a great advantage, because it will put all the tobacco traders in Britain upon the same footing; which is but just and equal,

and what ought certainly to be accomplished, if it be possible.

"Now, in order to make this case effectual to the fair trader, and to contribute to his advantage by preventing as much as possible any frauds in time to come, I propose, as I have said, to join the laws of excise to those of the customs, and to leave the one penny, or rather three farthings, per pound, called the further subsidy, to be still charged at the custom-house upon the importation of any tobacco; which three farthings shall be payable to his Majesty's civil list, as heretofore. And I propose that all tobacco, for the future, after being weighed at the custom-house, and charged with the said three farthings per pound, shall be lodged in the warehouse or warehouses to be appointed by the commissioners of the excise for that purpose, of which warehouse the merchant importer shall have one lock and key, and the warehouse-keeper to be appointed by the said commissioners shall have another, in order that the tobacco may lie safe in that warehouse till the merchant finds a market for it, either for exportation or home consumption. And if his market be for exportation, he may apply to his warehouse-keeper, and take out as much for that purpose as he has occasion for, which, when weighed at the custom-house, shall be discharged of the three farthings per pound with which it was charged upon importation; so that the merchant may then export it without any further trouble. But if it be taken out for home consumption, he shall then pay the three farthings charged upon it at the custom-house upon importation; and then, upon calling his warehouse-keeper, he may deliver it to the buyer, on paying an inland duty of four pence per pound weight to the proper officer appointed to receive the same."

Walpole concluded his speech by saying, "I look upon this as a most innocent scheme; it can be hurtful to none but smugglers and unfair traders. I am certain it will be of great benefit to the revenue, and will tend to make London a free port, and, by consequence, the market of the world.

If I had thought otherwise of it, I should never have ventured to propose it in this place."*

Nothing can be clearer than this statement; and no doubt can now remain in the mind of any one that the adoption of the scheme would have been highly advantageous to the commerce and revenue of the country. But so powerful was the delusion generated with respect to it, that its proposal well nigh caused a rebellion. Most merchants had availed themselves of the facilities which the system that Walpole's project was intended to supersede afforded for defrauding the revenue; and they dexterously endeavoured to thwart its success, and to avert the serious check it would have given to smuggling, by making the public believe that it would be fatal to commerce. Unluckily, too, the proposed plan was not optional merely, like the present system, which leaves it to the merchant either to warehouse or not, as he thinks proper; but being compulsory, or making all goods be warehoused, a pretext was supplied for denouncing it as arbitrary and oppressive. The selfish opposition of the merchants was powerfully abetted by the spirit of party, which then ran very high. The opponents of the ministry, anxious for an opportunity of prejudicing them in the public estimation, contended that the scheme was only the first step towards the introduction of such a universal system of excise as would be subversive alike of the comfort and liberty of the subject! In consequence of these misrepresentations, the most violent clamours were everywhere excited against the scheme. On one occasion Walpole narrowly escaped falling a sacrifice to the fury of the mob, which beset all the avenues to the House of Commons; and after many violent and lengthened debates the scheme was abandoned.

The disadvantages of the old plan, and the benefits to be derived from the establishment of the warehousing system, were ably set forth by Dean Tucker in his ingenious "Essay

* Tindal's "Continuation on Rapin," viii. p. 154. ed. 1769; Coxe's "Sir R. Walpole," vol. i. p. 372. 4to. ed. Had the resolutions with respect to tobacco been carried, those regarding wine, which were to have been exactly similar, would have been proposed.

on the Comparative Advantages and Disadvantages of Great Britain and France with respect to Trade," published in 1750. But so lasting was the impression made by the opposition to Walpole's scheme, and such is the force of prejudice, that this signal improvement—the greatest, perhaps, that has been made in our financial and commercial policy—was not adopted till 1803.

The facility and cheapness with which taxes may be collected should be particularly attended to in their selection. Every tax should, as Smith has stated in his fourth maxim, be contrived so as to take out and keep out of the pockets of the people as little as possible above what it puts into the public treasury. The reason is obvious. The nett produce of taxation, or the sum which it yields after the expenses of collection are deducted, is all that is applicable to national purposes; and taxes which cost a great deal to collect impose a heavy burden on the people for the sake of a small advantage to government. It is stated by Sully, in his Memoirs, that the expense of collecting a nett revenue of *thirty* millions of livres in France in 1598 cost the enormous sum of 120 millions; or in other words, that, of a sum of 150 millions taken from the people by taxes, only *thirty* millions found their way into the coffers of the treasury! Under the administration of Necker, a revenue of about 557 millions of livres was collected at an expense of 58 millions; being about $10\frac{2}{3}$ per cent.

The expense of collecting the public revenue of Great Britain, for the year ended the 5th January, 1851, amounted to 6*l.* 9*s.* 2*d.* per cent. on the gross produce; while in Ireland its expense for the same year amounted to 14*l.* 12*s.* $1\frac{1}{2}$*d.* per cent., or to more than twice as much as in Britain. Most part of this difference is to be ascribed to the different situation of the two countries; but a good deal is also owing to the more defective system of taxation established in Ireland. Formerly, however, the cost of collecting the revenue in Ireland was much greater than at present; the adoption of the plans and suggestions of the commissioners appointed to

inquire into the state of the Irish revenue having been productive of a material saving in this department.

Taxes may be collected by officers employed by government for that purpose; or government may let them *in farm* for a rent certain, giving the lessees or their servants power to collect them. The answer to the question, which of these modes of collection should be adopted, depends on a variety of circumstances, and, consequently, differs in different cases. Well defined taxes, which may be collected without any inquiry into the private concerns of individuals, may generally, perhaps, be farmed with advantage. In such cases the proceedings of the farmers could not well excite the prejudices of the contributors; and the greater vigilance and economy with which businesses are usually conducted by interested parties would most likely enable the farmers to pay, exclusive of their profits, a larger sum on account of these taxes than government would have much chance of receiving from its own agents. But taxes which are not well defined, or which require an examination into the affairs of individuals for their fair assessment, should be, in all cases, collected by the servants of government. It is probable, indeed, that they might be more productive were they farmed; but this, though an important consideration, is not the only one to be attended to. Taxes which expose private affairs to investigation are always unpopular; and this unpopularity is much greater when the investigations are conducted by those who have a personal interest in prosecuting them with the greatest strictness, than when they are conducted by the agents of government, who, in most cases, derive none, and in all cases only a very slender benefit from the increased productiveness of the tax. The mass of the people uniformly ascribe much of the hardship of such taxes to the vigilance and keenness of the farmers; and are disposed to believe that a considerable portion of their produce goes into their pockets, and that they are not only assessed to defray the charges of the state, but to add to the fortunes of a class who are universally objects of popular dislike. We admit that these suspicions and complaints are in

most cases destitute of any good foundation. The farmers can only enforce payment of a tax according to the provisions of the law by which it is imposed; and if its pressure be either unequal or severe, or the mode of its collection vexatious or troublesome, the fault lies with those who framed the law, and not with the farmers. But, however groundless, the prejudice against the latter will always exist, and should be respected. Perhaps we overrate its influence; but we have little doubt that, were an income-tax of two per cent. let in farm, established instead of the present income-tax of about three per cent., it would be generally considered as the more oppressive and vexatious of the two. Although, therefore, we are not disposed to concur with Smith in his opinion that *all* taxes should be collected by the officers of government *, still less can we concur with Bentham, who has endeavoured to show that farming is in every case the preferable mode of collection. † Taxes on stamped paper, houses, windows, horses, carriages, and perhaps also the customs-duties, might be advantageously collected by letting them to farmers; but any attempt to farm taxes on income, excise-duties, or taxes which require an examination of and interference with private affairs, would excite the most violent clamour, and could not be otherwise than pernicious.

Taxes in most civilised countries have, for a lengthened period, consisted principally of portions of the property of individuals, the amount to be paid being usually fixed or rated in money. Labour taxes, or contributions of personal services for the execution of public works, were, however, at a former period, extremely common in this and other countries, and are still far from being entirely relinquished. But it may be safely affirmed that compulsory contributions of labour are among the very worst species of taxes; being of little advantage to the public compared with the injury they inflict on the contributors. Those who are made to work without pay, and

* Wealth of Nations, p. 409.

† "Théorie des Peines et des Récompenses," tome ii. p. 203.

against their inclination, uniformly waste their time and energies; and a heavy loss is frequently also incurred by the interruption of the regular pursuits of the labourers, who may be called away with their teams to assist at public works, at the very time when their exertions are most necessary at home. When Turgot entered on his administration, he sent a circular letter to the road surveyors and engineers of the different provinces of France, directing them to transmit estimates, framed on the most liberal scale, of the sums of money for which the usual repairs might be made on the old roads, and the ordinary number of new ones constructed. The average of the different estimates showed that a money contribution of about 10 millions of livres a year would suffice for the repair and construction of the different roads; whereas Turgot showed that the execution of these repairs and constructions by contributions of forced labour, or *corvées*, cost not less than 40 millions, or four times as much as the other!*

The practice of making and repairing roads by compulsory contributions of labour was at one time general throughout Europe; the principle being embodied in the Roman law, whence it was introduced into the common law of this and most modern states. Indeed the obligation to assist in the repair of the roads formed part of that *trinoda necessitas*, from which no individual was exempted, whatever other immunities he might enjoy.† In 1555 the statute 2 & 3 Philip & Mary, cap. 8., enacted that two surveyors of roads should be annually chosen in every parish, and that the inhabitants should be obliged, according to their respective abilities, to furnish labourers, carriages, tools, &c., for four (afterwards increased to six) days, to work at the roads in the parish under the orders of the surveyors. But though the system established by this act, from its making the surveyors responsible in some measure for the state of the roads, was certainly at the time a great improvement, it was, notwith-

* Say, "Economie Politique," ii. 345.

† The *trinoda necessitas* embraced *expeditio contra hostem*, *arcium constructio*, *et pontium* (*vel itinerum*) *reparatio*.—Blackstone, book i. c. 9.

standing, for the reasons already stated, in many respects most objectionable; and we are assured, by an unexceptionable judge, that "the six days' duty on the highways is done so miserably, and so much time is necessarily lost by going to a distance, that nobody can doubt but any new road or considerable work might be made by a private man, or an appointed surveyor, with teams for the purpose, for *a tenth* part of the sum which it would cost if performed by parish-work."* But despite this experience, the construction, repair, and police of the cross or parish roads continued, down to a comparatively late period, to be principally regulated by the statute of Philip and Mary.

The great increase of wealth and population in the latter part of the 16th and during the 17th century compelled in the end recourse to be had to a different system for the construction and repair of the principal roads, especially those in the vicinity of London. It was introduced by the statute 26th Charles II. cap. 1., which imposed tolls, or duties collected at toll gates, (called turnpikes,) on all travellers along the great north road; the management of the road being at the same time vested in trustees authorised to expend the revenue derived from the tolls on its improvement. How singular soever it may now appear, this plan was for a lengthened period exceedingly unpopular. It was not, indeed, till after the peace of Paris, in 1763, that turnpike-roads began to be extended to all parts of the kingdom; and that the means of internal communication began, in consequence, to be materially improved. The turnpike-roads of England and Wales extend at present to the length of about 25,000 miles.

Turnpikes being erected only on the principal roads, the old plan for keeping up cross or parish roads was not affected by their institution. The individuals subject to be assessed for compulsory labour on the latter were however, at a distant period, authorised to compound, if they thought fit, with the surveyors, according to certain fixed rates; though in consequence of the difficulties in the way of compositions, and

* Young's "Political Arithmetic," part i. p. 192.

the ignorance of the parties, the value of the labour paid in kind amounted, according to the official returns, previously to the introduction of the existing system in 1835, to from 500,000*l.* to 600,000*l.* a year. But the act passed in the last-mentioned year has entirely superseded the old system, and, instead of contributions of labour, the surveyors are now authorised to impose a rate, on the basis of the poor-rate, for the construction and repair of cross and parish roads.

The system followed in Scotland with respect to roads was similar to that followed in England. An act passed in 1669 compelled the agricultural population to work six days in each year on the public roads. This contribution was commuted, in the early part of the reign of George III., for a tax on land, rated according to its valuation in the cess-books. This commutation has been of the greatest advantage. Previously to its taking place, the roads in Scotland were, perhaps, the very worst, and they have since become among the very best, in Europe.

Contributions of labour or personal service are, however, enforced for other objects, that have attracted less notice (at least from economists) than *corvées*, though, from the magnitude to which they have latterly attained, they have become of the greatest importance, and deserve the most attentive consideration. We allude to the system followed in most states by which all individuals, or those comprised in certain classes, are obliged to serve for some fixed period, in the event of their being called upon, in the army or navy, or both. This system, which prevailed in antiquity, had also been resorted to in cases of emergency in modern times. But its adoption as the grand, or rather as the only reliable, means of recruiting armies, and its consequent extension, dates only from the struggles that grew out of the first French Revolution. In 1798 the republican legislature passed the famous law which established what has since been called the *conscription*. After declaring that all Frenchmen between twenty and twenty-five years of age were liable to serve their country in the regular army, it directed classified

lists to be made out of the individuals included within the specified ages, from which the required number of recruits, or conscripts, were to be taken by lot. The principle thus laid down has ever since been acted upon; and in addition to the armies of France, those of Prussia and the other German states, Russia, and Austria, are now principally made up of conscripts balloted for from certain classes of the population. Napoleon said, in reference to this system, that it was "*le mode de recrutement le plus juste, le plus doux, le plus avantageux au peuple;*" and authorities have not been wanting who have recommended its introduction into this country, or at least an extension to the army of the principle on which the militia has been recruited. But notwithstanding the deference due to those who maintain the contrary, the plan of recruiting by voluntary enlistment is the only one which is consistent with justice, or a due regard to the rights of individuals, at the same time that it is in other respects decidedly the best. We do not mean to deny that the conscription, provided it be equal and impartial, has some advantages on its side; but they are very much overbalanced by the oppression and other disadvantages inseparable from it. Among the individuals subject to a conscription, there is the greatest discrepancy of tastes and tempers, some preferring the military to every other profession, while others hold it in abhorrence. The plan of voluntary enlistment avails itself of these differences. Far from offering violence to any one, it gratifies all, by enabling those who prefer a military life, and those who prefer other pursuits, to indulge their tastes without let or hindrance. The conscription, on the other hand, introduces a species of fatalism where there should be choice and discrimination; the chances being equal that the lots will fall upon individuals most disinclined to enter the army. Who would think of forcing people to become miners, shoemakers, or weavers? and why should the state attempt to enforce a practice productive of still greater hardship and injustice? If soldiers could not be procured otherwise, we should readily admit that necessity formed a valid excuse for the introduction of the conscription:

but this is very far indeed from being the case. Men in abundance may always be found, without any compulsory process, and with very moderate encouragement, ready to undertake any employment how disagreeable or hazardous soever. But the free and adventurous life of a soldier has many powerful attractions. Even during war, the dangers and privations of campaigns are underrated, and the chances of advancement proportionally exaggerated, in the heated imaginations of the young and the inconsiderate; and unless their pay and other advantages be very decidedly below what the state of society requires, a moderately populous country may always obtain any number of troops by voluntary enlistment.

It is plain, therefore, that the conscription is alike unnecessary and oppressive. Wherever it is resorted to, the population suffers from a twofold grievance; the individuals balloted for conscripts having frequently an unsurmountable aversion to the profession in which they are compelled to engage, at the same time that they are underpaid while engaged in it.

In addition to the hardship which it imposes, a conscription is almost always unequal in its operation, pressing with its utmost severity on certain classes of the population, and exempting others. If all ranks and orders were equally subject to its influence, the imputation of partiality would, of course, fall to the ground. This, however, is but seldom the case. The upper classes are usually exempted from the conscription, and the custom of admitting substitutes is also very prevalent. But wherever an individual chosen by lot to serve as a conscript may send a substitute in his stead, the conscription obviously degenerates into the worst sort of capitation-tax, subjecting the wealthier part of the community to a mere pecuniary contribution, instead of one which the lower ranks must pay with their personal service, and probably their blood.

It is not easy to find words sufficient to depict the hardship and injustice of such a system. And yet we regret to have

to say that this was the mode in which the militia in this country was recruited during the late war; so that we have a more intimate acquaintance with the principles and practice of the conscription than is generally supposed. It is, however, to be hoped, that no government will ever again attempt to renew the suffering inflicted by the militia-laws on the lower classes during the period referred to; and it is perhaps doubtful, supposing such an attempt were made, whether it would be patiently submitted to. A conscription is tolerable only when *omnium versatur urna*—when the destiny of rich and poor, high and low, is alike subject to the event of the ballot. To throw it exclusively on the poor by exempting the higher classes, or allowing them to serve through substitutes, is subversive of every principle on which public burdens should be imposed, and of every natural and constitutional right.

Compulsory service has not, however, been confined to the army and militia. In this country, at least, it has been carried to a still greater extent in the case of the navy. It appears to have been, for a lengthened period, taken for granted that impressment is indispensable, especially at the breaking out of a war, to the manning of the fleet. This, however, is not the case, and sailors, like soldiers, may be obtained in sufficient numbers, under a proper system, by voluntary enlistment.* It is needless to dwell on the violence and injustice inseparable from the practice of impressment. It may, however, be worth while to observe that their liability to this oppressive treatment, by obstructing the entry of young men to the sea-service, and lessening the supply of sailors, tends, especially during war, to raise their wages far above their natural level, to the extreme injury of the queen's and of the merchant service. "The custom of impressment," says Mr. Richardson, "puts a free-born British sailor on the same footing as a Turkish slave.

* See note on Impressment in the edition of the "Wealth of Nations" by the author of this work.

The Grand Seignior cannot do a more absolute act than to order a man to be dragged away from his family, and, against his will, run his head against the mouth of a cannon. And if such acts should be frequent in Turkey upon any one set of useful men, would it not drive them away to other countries, and thin their numbers yearly? And would not the remaining few double or treble their wages?—which is the case with our sailors in time of war, to the great detriment of our commerce."*

In corroboration of what has now been stated, it may be mentioned that, while the wages of other sorts of labourers and artisans are uniformly higher in the United States than in England, those of sailors are commonly lower. The reason is, that the navy of the United States is manned by means of voluntary enlistment. The Americans are desirous of becoming a great naval power, and they have wisely relinquished a practice which would have driven their best sailors from their service, and have forced them to man their fleet with the sweepings of their gaols.

It was estimated that there were above 16,000 British sailors on board American ships at the close of last war; and the wages of our seamen, which in time of peace rarely exceed 40*s.* or 50*s.* a month, had then risen to 100*s.* and 120*s.*! This extraordinary influx of British seamen into the American service, and no less extraordinary rise in their wages at home, can be accounted for only by our continuing the practice of impressment after its abandonment by the United States. Formerly, our seamen were in the habit, on the breaking out of a war, of deserting to Holland; but the difference of language was an insuperable obstacle to this being done to any very considerable extent. Now, however, they know that in the United States a safe asylum is open to them among those whose language, customs, and habits are identical with their own, and who are most anxious to draw them to their

* Essay on the Causes of the Decline of Foreign Trade, ed. 1756, p. 24.

service. Nothing short of the abolition of impressment can countervail such inducements to desertion. And, as impressment is not necessary to the manning of the fleet, it is to be hoped that it may speedily be abolished, and that the efforts of the Americans to increase their naval power may not be assisted by our obstinately clinging to a system fraught with injustice and oppression.

PART I.

DIRECT TAXES.

It is impossible, for the reasons noticed in the previous pages, to regard the taxes which really fall on capital as permanent sources of public income. Capital consists of produce saved from immediate consumption, and employed partly to maintain those who are engaged in the great work of production, and partly to facilitate their labour. Its amount determines the amount of productive industry. And it is, therefore, plain that whatever has a tendency to diminish capital, or to convert it into revenue, must, by diminishing the means of employing and facilitating labour, and consequently the annual produce of the country, be a fruitful source of pauperism. This, however, would be the precise effect of taxes on capital; and it is for this reason that they should always be regarded in the light of extraordinary resources, and should never be imposed except in cases of necessity. The misapplication and destruction of the means of production which they occasion would not only defeat every attempt to render them permanent, but would, by impoverishing and exhausting the country, render all other taxes comparatively unproductive. "*Nulle richesse nécessaire aux travaux de la reproduction n'en peut être détournée sans nuire à cette reproduction, à la richesse nationale, et, par suite, aux moyens de puissance du gouvernement.*"*

It is not from capital, therefore, but from revenue, that permanent taxes should be derived. And as revenue must be drawn from rents, profits, or wages, or from two, or all of these sources, it follows that every tax which does not fall

* Œuvres de M. Turgot, iv. 345.

on capital must, however imposed, ultimately fall on one or more of those species of income. Without further preface, therefore, we shall proceed to trace the incidence and effect of taxes on rent, on profit, and on wages. When we have ascertained the way in which they operate, it will be comparatively easy to investigate the influence of a tax meant to fall equally on all the varieties of income.

CHAPTER I.

TAXES ON RENT.

SECTION I.—TAXES ON THE RENT OF LAND.

Dr. Smith's opinion that taxes on the rent of land, taking the term in its popular and broadest sense, fall wholly on the landlords, is, no doubt, an error.

The sum which the occupier of an improved farm pays to the landlord is uniformly derived from two distinct sources, and is consequently divisible into two portions, whereof one is a compensation for the use of the natural and inherent powers of the soil, and the other a compensation or return for the use of the buildings, roads, drains, fences, and other improvements made on the farm. Rent, properly so called, consists of the first only of these portions; the second, though usually included under the term, being obviously the return to, or profit derived from, the capital expended upon the land. There are but few instances in old settled and densely peopled countries in which the rent even of inferior farms is not derived from both these sources; though, from the various ways in which large classes of improvements are mixed up and blended with the soil, it is rarely possible for the most experienced agriculturist to separate his rent into its proper elements, or to discriminate, with much precision, between the

sum which he pays to the landlord as proprietor of the soil, and that which he pays him as profit on the capital laid out on its improvement.

If, however, this distinction were either made or approximated to with anything like accuracy, government might appropriate, by a special tax, the portion of the gross rent of the land which consists of the sums paid for the use of its natural and inherent powers, without its being in the power of the landlords to escape the payment of such tax, or to throw any part of it on any one else. This is a consequence of the portion referred to being extrinsic to the cost of production. Rent, in the limited sense in which we are now considering it, originates in the varying fertility of the soils successively brought under cultivation. The most fertile lands in a country, or those which are usually first brought into tillage, may be supposed to yield, to a given outlay of capital and labour, 100 quarters of corn, while lands of a secondary quality only yield, to the same outlay, 90 quarters, lands of the third quality 80 quarters, and so on. It is not necessary, for the elucidation of this subject, that we should enter into any lengthened examination of the various questions involved in the theory of rent. It is enough to state that it has been demonstrated over and over again, that the produce raised on the last or poorest quality of land under tillage is, speaking generally, sold at its necessary price, or at a price which merely affords the cultivators the common and average rate of profit, without including any payment on account of rent. And supposing that the fourth or lowest quality of land in cultivation yields 70 quarters, then as the same outlay which produces 70 quarters on it produces 100 quarters on land of the first quality, 90 on that of the second quality, and 80 on that of the third quality, it is obvious that, to place all the cultivators in the same condition, those occupying the best land will have to pay its proprietors a corn-rent of 30 quarters (100—70), or a corresponding money-rent; while those occupying the secondary land will have to pay 20 quarters (90—70); those occupying the third, 10 quarters (80—70): and so on, according as cultivation is extended.

If improvements have been effected on all or any of these lands previously to their being let, then, of course, they will bring an additional rent, which will be the interest or profit of the capital embodied in the improvements. But, to simplify the question, it is best to keep such considerations for the moment out of view, and to fix our attention in the first instance only on the rent paid to the landlords for the use of the natural powers of the soil. Inasmuch, however, as this rent originates in, and depends wholly upon, the principles now briefly stated, it is easy to see that it might be entirely swept off by a tax, without prejudice to the interests of any class except the landlords. Such tax could not raise the price of corn or other raw produce; for nothing can affect its price unless it either affects the cost of its production or its supply. And a tax on the real rent of land does neither. It cannot, it is evident, have any influence over the cost of production; for, real rent, which is extrinsic to and independent on that cost, consists of the surplus produce remaining after the profit on improvements has been deducted, and the cultivators have been fully indemnified for the expense of cultivation, and have obtained the current rate of profit on their capital; and though it would vary the distribution of corn, it is obvious that a tax which has no influence over its production could not affect its supply. The true conclusion consequently is, that the prices of all sorts of farm produce would continue unaffected though a tax were imposed absorbing all the real rent of land, meaning by *real* rent the sum paid for the soil only.

It would not, however, be possible for government, supposing it made the attempt, to appropriate, by a direct tax, the entire *gross* rent of the land, or the total sum paid, as well for buildings and improvements, as for the soil itself. In whatever degree the rent of land may consist of the interest of capital laid out upon it, in that degree would a tax on rent raise the price of raw produce, and fall ultimately on the consumer. That portion of the gross rent of the land which consists of a payment for the use of its natural and inherent powers, originates in the circumstance of its being appropriated and made private property, and of its being of different

degrees of productiveness; but it is otherwise with the portion of the gross rent which is paid for houses, fences, drains, roads, and other improvements. This, it is evident, is a consequence of the landlords being not merely owners of the land, but also of a part, at least, of the capital employed upon it, and contributing to its productiveness. And it is easy to see that a tax affecting the profits of such capital will necessarily affect the cost of its produce. Suppose, for example, that the gross rent of a farm is 500*l.* a year, a half, or 250*l.*, thereof, being, in fact, the interest of capital laid out on its improvement. If, in this case, a tax of 10 per cent. were laid on rent, only a half, or 25*l.* of the tax, would be permanently paid by the landlord. In the first instance, no doubt, the whole 50*l.* might fall upon him; but 25*l.* of this payment would, it is plain, be a deduction from the profits of the capital belonging to the landlord, and not from rent properly so called. And the landlords being consequently placed in a comparatively unfavourable situation, no more capital would be expended upon the soil until the price of corn and other raw produce, was raised by the gradual diminution of its quantity, or the increase of demand, so as to place them in the same situation as other producers; that is, until they obtained the ordinary rate of profit from the capital vested in improvements.

It would, therefore, appear that, though it be possible to force into the coffers of the treasury, by an exclusive tax, that portion of the rent of land which is paid for the use of the soil only, the other portion, or that which is paid for the improvements made on the land, would not be permanently affected by an exclusive tax; and could, speaking generally, only be taxed to the extent to which the profits of capital employed in other departments are taxed.

In a practical point of view, taxes on the rent of land are extremely objectionable. It is, as already stated, quite impossible to separate rent into its elements, or to say how much is paid for the soil and how much for improvements. No two agriculturists ever arrive, in any case of this kind, unless by accident, at the same conclusion; and the best

judges affirm that, generally speaking, the distinction is impracticable. When, therefore, a tax is laid on rent, it is necessarily proportioned to its gross amount, or to the total sum paid to the landlords, without regard to the sources whence it is derived. Inasmuch, too, as it is for the interest of all parties to conceal its amount, it is no easy matter to ascertain this gross rental. But, without laying any stress on this circumstance, a tax on rent is one of the least expedient that can be suggested. It has always been, and will unavoidably continue to be, a formidable barrier to improvements. The return paid to a landlord for capital expended on the soil being included in rent, a tax on it discourages, or, it may be, wholly prevents, fresh outlays of capital on the land, and consequently depresses the most important branch of national industry. Instead of being carried from other employments to agriculture, capital is then carried from agriculture to them. Landlords and occupiers rather wish to have their farms look ill, than to have them look well; and it may be said of farms as of individuals—

Pauper videri vult Cinna, et est pauper.

A tax of this sort discourages those virtues and that expenditure on the land which all wise governments endeavour to promote. We doubt, indeed, whether it be possible to propose any impost more at variance with sound principle, or more adverse to improvement.

But supposing that the distinction previously alluded to could be made, or that rent could be readily discriminated into its elements, and the sum paid for the use of the soil separated from that paid for the use of the capital expended upon it, the imposition of a peculiar tax on the first-mentioned portion would be most unjust. If direct contributions for the public service be resorted to, they should, in as far as possible, be universal, and proportioned to the means of all classes of contributors. Government should never abandon this fundamental principle or yield to exaggerated and fallacious estimates of the advantages to be derived from laying taxes on certain classes of individuals, or descriptions of income. All

sorts of property which have been lawfully acquired should be considered as equally sacred and equally entitled to protection. It is true, as has been stated by Mr. Ogilvie* and others, that landlords, as such, are not producers, but merely receivers of income which would otherwise belong to the state. But a right of property in land has everywhere been coeval with the establishment of civilised societies; and to invade it, whether by depriving landlords of any of the advantages fairly resulting from its possession, or by making them contribute more than their fair share to the exigencies of the state, would be barefaced oppression and robbery. "Rent," to use the words of Mr. Ricardo, "often belongs to those who, after many years of toil, have realised their gains, and expended their fortunes in the purchase of land or houses; and it certainly would be an infringement of that security of property which should ever be held sacred, to subject it to unequal taxation."† In taxation, as in everything else, justice is the only safe policy, the permanent interest of all men and all communities. *Nihil est quod adhuc de republicâ putem dictum, et quo possim longius progredi, nisi sit confirmatum, non modo falsum esse illud, sine injuriâ non posse, sed hoc verissimum, sine summâ justitiâ rempublicam regi non posse.*‡

As rent must unavoidably arise in the progress of society, it has been suggested, by those who would, perhaps, object to any attempt to throw any peculiar burden on the landlords in old settled countries, that it would be good policy for the governments which are now being established in Australia and the United States, which have large tracts of fertile and unappropriated land at their disposal, to retain it as public property, and to let it by auction, in such portions and for such number of years as might be deemed advisable. This, however, would be a very questionable course of policy. It would certainly hinder many of those expensive improve-

* Essay on the Right of Property in Land, *passim*.

† Principles of Political Economy, 3d ed. p. 230.

‡ Cicero, "Frag. de Repub.," lib. ii.

ments in drainage and planting, and in the construction of houses, roads, bridges, fences, &c., necessary to the comfort of the inhabitants, and to the full development of the productive powers of the soil, which are effected by individuals who have the absolute property of the land, and are able to bequeath it to others. These consequences might, it is true, be in part, though they never can be fully, obviated by increasing the length of leases, so as to encourage the outlay of capital. But, in whatever way it may be let, there can be no manner of doubt that a right of private property in land is the best stimulus to its improvement. Those to whom it belongs are more disposed than any one else to avail themselves of every suggestion that may be likely to increase its value; and the landlords who are most careless in this respect generally endeavour, by enforcing rules as to management, to keep their farms in good condition, especially towards the termination of their leases. This last is a matter of infinitely more importance than is generally supposed, and much of the prosperity of agriculture depends on the attention which it receives. But if the lands of an extensive country belonged to government, the presumption is that the tenants would act according to the old adage,

> "He that havoes may sit;
> He that improves must flit!" —

and, however inattentive in other respects, would take care that, previously to the termination of their leases, their farms should be in such a state that there would be little chance of their being removed or their rents raised. It may be supposed, perhaps, that these inconveniences might be obviated by employing inspectors to enforce conditions in regard to management. But in an extensive country this would be next to impracticable, without incurring an enormous expense; and though this were not the case, the jobbing and favouritism to which it would inevitably give rise would, in no long time, make the inspection be regarded by everybody as an unmixed nuisance. It is idle, therefore, to think that a right of private property in land can ever be advantageously dispensed with.

Its establishment is, in fact, the grand source of civilization. *Ex agrorum divisione inventa sunt jura.** It inspires us with the love of country and of posterity. And by associating the destiny of the landlords with what is imperishable and susceptible of indefinite improvement, it teaches them to look forward to a remote futurity, and to form projects, and engage in undertakings in which tenants for an ordinary term of years would never dream of embarking. The plans of the latter are circumscribed by the duration of their leases. They are merely, as it were, possessors of a terminable annuity; their only object being to make the most of the land during the term for which they are to hold it, without thinking or caring about the state in which they may leave it. The proprietor, on the contrary, combines, in his plans, the future with the present; and is anxious as well for the continued amelioration, as for the immediate productiveness of his estate. *In his elaborant, quæ sciunt nihil omnino ad se pertinere; serunt arbores quæ alteri seculo prosint.*† The importance of a right of property in land is, indeed, so very obvious, that it has been recognized from the earliest periods. The author of the book of Job places those who removed their neighbours' landmarks at the head of his list of wicked men; while other ancient writers ascribe the origin of laws and government to the partition of the land.‡ And we may be assured that the amount of wealth, conveniences, and enjoyments in a country with a right of property in land, will always incomparably exceed their amount where no such right is established.

It may, perhaps, be alleged that if landlords have, under an equal system of taxation, to pay a certain portion of their incomes, it must, after all, be immaterial whether it be taken from them by a tax on rent or by any other means, the grand point being to make sure that they pay this portion, neither more nor less. But though it be immaterial to the revenue how the sum is raised, the previous statements show

* Macrob., Saturnal., lib. iii. c. 12.

† Cicero de Senect.

‡ Goguet de L'Origine des Loix, &c., I. liv. i. cap. i. §. 2.

that it is very far from being immaterial to the landlords or to the public. In taxation the direct is not always, nor even most frequently, the best road. Taxes should in all cases be imposed so as to interfere as little as possible with the progress of industry. In this respect, however, taxes on rent are peculiarly objectionable. Where they do not exist, a landlord who has a farm which produces 100 quarters of wheat, may, by laying out capital on its improvement, which yields only the ordinary rate of profit, make it produce 200 or 300 quarters. But the chances are ten to one that he would not so much as think of anything of the kind, were he compelled to share the increased produce of the land, or the increased rent resulting from the outlay, with a tax-gatherer. Taxes, whether on the one or the other, unavoidably retard, and, indeed, frequently arrest, agricultural improvements. They are, therefore, even when least burdensome, most inexpedient; and when carried to any considerable extent, they go far to dry up what is the most prolific source of national wealth. But if the sum that the landlords should pay be drawn from them by means of taxes on expenditure and luxurious gratifications, little if any harm is done to industry, and their interests, as well as those of the public, are equally promoted.

It is the greatest imaginable error to suppose that the only thing to be attended to in taxation is the realising of a certain amount of revenue. This, no doubt, is the problem to be effected; but as much depends on the mode in which it is effected as on the thing itself. In taxation, as in surgery, a necessary and even simple operation may, if performed unskilfully, be fatal. The sagacity of the financier is exhibited in carefully weighing the consequences of different plans; and in endeavouring to assess and collect the necessary sums, not by what may appear to be the most direct methods, but by such methods, whether direct or indirect, as may occasion the least inconvenience to the contributors and the least harm to industry.

It is unnecessary, after what has been already stated, to take up the reader's time by entering into any lengthened

discussions respecting the theory of Quesnay and the Economists, who contended that all taxes, however imposed, fell ultimately on the land; and who, consistently with this opinion, recommended that all existing taxes should be repealed, and replaced by a single tax (*l'Impôt Unique*), laid directly on the nett produce or rent of the land. Quesnay and his followers were led to this extraordinary conclusion by supposing that the earth, because it furnishes the matter of which all articles are made, is the only source of wealth. But until labour has been employed to appropriate matter, and to fashion and prepare it for our use, it is destitute alike of utility and value, and is not and never has been considered as forming wealth. Notwithstanding their extreme variety, all the operations of industry have for their end and object to give utility to matter spontaneously furnished by nature. And it has been repeatedly shown, that the labour employed in manufactures and commerce is in all respects as creative of utility, and consequently of wealth, as the labour employed in agriculture. *Labour*, therefore, and not land, is the real source of wealth. And there neither is nor can be any reason why corn, cattle, and other farm products, should be taxed in a greater or less degree than other goods manufactured at home or imported from abroad.

It may be further observed, in explanation of the economical theory, that Quesnay, and even Adam Smith, regarded the rent of land as a peculiar product, originating in and depending upon the special bounty of nature to the agriculturists. But in this they were entirely wrong. Nature is unpolluted by any taint of favouritism: she is equally bountiful to her children, whether they cultivate the land, fashion its products into articles of use or ornament, or convey them from where they are abundant to where they are scarce: she works for us at all times and in all places. It is true that without her helping hand the labours of the husbandman would avail nothing: she unfolds the germ, feeds and ripens the growing plant, and brings it to maturity. But what could the manufacturer or artisan do, did not nature supply him with the products of the forest, the field, and the mine, whereon to

exert his industry?—did she not lend him her streams, the agency of fire, the elasticity of steam, and the great law of attraction, to put his machinery into motion, to give efficiency to his labours and all but omnipotent strength to his feeble arm? Without the polarity of the magnet, the action of the winds, and the buoyancy of the seas and rivers, how could the ships and goods of the merchant be conveyed to the remotest corners of the world? Nothing, indeed, can be more completely erroneous than the allegation that "nature does nothing for man in manufactures."* Her creative agency is indispensable in every department of industry, and is felt alike in all. And, how ingenious soever, any theory which assumes the contrary must be entirely fallacious aed unfounded. Probably, however, it was hardly necessary to say so much in elucidation of what is so very clear. It is sufficient to state that rent, in so far as it does not consist of the profit of capital laid out on improvements, is a mere consequence of one piece of land being more fertile or better situated than another; and that it depends in no degree on the superior productiveness of agricultural industry.

It is singular that the practical impossibility of their proposal for the consolidation of all taxes into a single tax on rent did not lead the Economists to suspect the principles whence they deduced their conclusions. At present (1851) the gross annual rental of the landed property of Great Britain may be estimated at about 47,000,000*l.*†, and that of Ireland at about 12,500,000*l.*, making altogether 59,500,000*l.* But the ordinary expenditure of the country, including poor-rates, and other local taxes, probably exceeds 73,000,000*l.* a year; so that unless a method should be found of taking a greater from a less, the *Impôt Unique* is here, at least, impossible. After the whole landed property of the kingdom had been confiscated, it would be necessary to raise several millions a year by additional taxes.

But we have already seen that, supposing an attempt had

* Wealth of Nations, p. 161.

† It amounted in 1848, according to the Income Tax returns, to 47,982,221*l.*

been anywhere made practically to act upon the theory of the Economists, it would necessarily have failed from its not being possible to lay a special tax on that portion of the rent of land which consists of the return for the capital embodied in buildings and improvements. We are wholly unable, as formerly stated, to discriminate between the portion of rent now referred to, and that which is paid for the inherent powers of the soil. There cannot, however, be any reasonable doubt that in all improved countries the former portion greatly exceeds the latter. Those who reflect for a moment on the many hundreds, or rather thousands, of millions which have been expended in fencing, draining, manuring, and otherwise improving the land of Great Britain, and in the erection of farm buildings, the construction of roads, &c., must be satisfied that the return for this capital, though miserably inadequate, very greatly exceeds the other portion of the gross rental of the kingdom. It is a vulgar error to suppose that the income of the landed gentry depends wholly on the circumstance of their being mere owners of estates. In all populous and improved countries it depends in a far greater degree on the improvements effected upon their estates; that is, on their being capitalists as well as landowners; and letting means and instruments for the profitable cultivation of the land, along with the land itself. The real or ground rent of a highly improved farm, especially if it be of naturally inferior land, does not, perhaps, bear so great a proportion to its total rent as the ground rent of a cotton-factory bears to the total sum for which it would let.

The former celebrity of the doctrines of the Economists, and the references which are still frequently made to them, will perhaps be deemed a sufficient apology for these remarks. They were hardly, indeed, necessary to enable any one who may have paid any attention to the previous statements to detect the fallacy of the principles on which the Economists constructed their system, and the contradictory nature of their conclusions. Still, however, the observations now made may have their use, if, as we hope may be the case, they should tend still better to illustrate the inexpediency of taxes on rent.

But notwithstanding the many inconveniences that attach to such taxes, they are necessarily, in countries in a low state of civilization, and where manufactures and commerce have made little progress, nearly the only sources of revenue. In most Eastern countries the government is, as it were, head landlord; the tax paid by the occupiers being in general equivalent to a pretty high rent. In European countries the proprietors have luckily been able to oppose a more effectual resistance to the encroachments of their rulers; and even in those parts of Europe in which the land-tax is heaviest, it seldom amounts to more than a reasonable per-centage on the rent. During the feudal system the obligations of military service, with the different payments to the sovereign, under the heads of aids, reliefs, fines on alienation, purveyance, wardship, primer-seisin, scutages, hydages, escheats, and so forth, due by the proprietors of estates held directly of the crown (who in their turn exacted similar payments from their sub-tenants), fell wholly on the land, and were, in effect, so many land-taxes. These revenues, added to the rental of the crown estates, were, for a considerable period, adequate to defray the expenses of government. But after the advantage of maintaining a regular military force began to be appreciated, money payments began also to be substituted for knights' service; and, when once introduced, they were gradually extended, and in the course of time were made to affect personal as well as real property. During the Commonwealth several of the incidents belonging to the feudal system were dispensed with; the money required for the service of the state being principally raised by subsidies, or assessments of so much a month on real and personal property, and partly by excise-duties (imposed, for the first time, by the Long Parliament), and other subordinate sources. The right of the crown to the various items of feudal revenue was revived at the Restoration; but their oppressive operation, and the advantages that had resulted from their partial suspension, were so sensibly felt, that measures were immediately taken for their total abolition. This was effected by the Act 12 Chas. II. cap. 24, which suppressed the court of wards and liveries,

with wardship, aids, fines on alienation, and other feudal incidents, converting all tenures held of the king into free and common soccage. Blackstone says that this statute was a greater acquisition to the property of the kingdom than even Magna Charta itself; inasmuch as the latter only pruned the luxuriances which had grown out of military tenures, whereas this statute extirpated them root and branch.*

But, however advantageous to the nation, it is at the same time obvious that this statute was more especially advantageous to the landlords. The taxes and grievances which it abolished directly affected them only. And, therefore, as the crown could not afford to lose the feudal revenues, compensation should have been made for their loss, and for the loss of the services abolished by the statute, by a corresponding land-tax. An arrangement of this sort, which had been suggested during the reign of James I., would have been highly advantageous to the landlords, by substituting a fixed and equal for a fluctuating and unequal burden; and while it benefited them, it would not have been injurious to any one else. But instead of being commuted in the way now stated, it was decided, at the passing of the abovementioned act, that the deficiency in the hereditary revenue, caused by the abolition of wardships and other feudal incidents, should be made good by imposing, and assigning to the crown in perpetuity, certain excise-duties on beer, ale, and other liquors, and on licences! So that what had previously been a burden affecting the landlords only, was thus dexterously transferred from their shoulders to those of the community in general.†

We are not, however, to understand from this that all direct taxes on land, for public purposes, ceased with the Act 12 Chas. II. cap. 24. It relieved the land from the burdens that grew out of feudal tenures; but the assessments granted for the public service, during the reign of Charles II., were, to all intents and purposes, land-taxes. These continued to be levied down to the æra of the Revolution, and subsequently.

* Commentaries, book ii. cap. 5.

† St. John on the "Land Revenue," p. 138.; Blackstone, *ubi supra*.

In 1692 a land-tax, at the rate of 4*s.* in the pound of the rental of estates, manors, and other real property, was granted to the crown. The valuation, according to which this tax was assessed, was vague and unequal in the extreme. It was, indeed, in great measure left to the different proprietors to assess themselves, and those in the counties most warmly attached to the revolutionary establishment returned their estates much nearer to their fair value than the others. But such as it was, a tax at the rate of 1*s.* in the pound on this valuation was found to produce nearly 500,000*l.* a year. Though continued by annual acts, no change has ever been made in the valuation on which the tax was originally assessed. For a while its amount varied from 2*s.*, to 3*s.* and 4*s.* in the pound*; but without ever exceeding the latter sum. At length it came to be considered as a fixed or invariable tax of 4*s.* per pound on the valuation of 1693; and in 1798 the Act 38 Geo. III. cap. 60. made it perpetual at that rate, giving, at the same time, power to the landlords, of which many have availed themselves, to redeem it on certain conditions.† The different degrees of improvement that have since taken place in different parts of the country have, in some instances, tended to correct the inequalities in the assessment of the land-tax, and in others to increase them.

It is admitted on all hands that the tax, of which we have thus briefly sketched the history, has been but little burdensome, and has in nowise obstructed improvements. But this circumstance is not, as has been supposed, inconsistent with the remarks previously made regarding the influence of taxes on rent. The latter necessarily vary with the varying amount of rent; and have consequently, exclusive of their injustice, the incurable defect of obstructing the outlay of capital on the land, and preventing improvements. Such, however, has not been the case with the existing land-tax. As previously

* It was as low as 1*s.* per pound in 1731 and 1732.

† In 1844 the land-tax redeemed amounted to 737,285*l.* a year, and the unredeemed to 1,069,904*l.* a year; and the proportions have varied very little in the interval.

noticed, it was originally assessed, in most instances, on a very low valuation; a limit was, at the same time, specified, beyond which it has never been carried; and for a lengthened period its amount has been fixed and constant. And in addition to these favourable circumstances, the country, during the period that has elapsed since its imposition, has been uniformly prosperous, and there has been an extraordinary rise of rent. Had the state of the country since 1693 been different, had rents, instead of rising, been either stationary or declining, the burden of the tax would have been comparatively heavy. But as circumstances have turned out, it has not, except in so far as it may have diminished the means of the proprietors, had the smallest influence in discouraging improvements. Neither has it interfered in any way with the cultivation of estates. It is never, indeed, taken into account, or so much as referred to, in estimating the probable influence of new modes of management or of the outlay of additional capital on the soil; and is, in fact, to be regarded as a stationary quitrent payable to the state, without being either directly or indirectly injurious to individuals. We may regret, perhaps, that this tax was not more equally distributed, and its limits somewhat extended at the Revolution. But it cannot now be interfered with. It has been placed on its present footing for more than a century and a half; so that, whether it were at its establishment unwisely limited or unfairly assessed, has long ceased to be a matter of any practical importance. New rights, new interests, and new generations have grown up under the existing system; the lapse of time having completely obviated or sanctioned any defects in its original constitution. The landlords have long stood, in respect of taxation, on the same footing as the rest of the community; and can with justice be subjected to such taxes only as are laid on merchants, manufacturers, and other capitalists. It is obvious, therefore, that all projects for laying peculiar burdens on the land, however varnished or disguised, should no longer be looked upon as projects for the imposition of equitable taxes, but for the confiscation of a portion of the property of the landlords! If such flagitious schemes be ever entertained, they

will form a precedent that will justify the repudiation of the public debt and the subversion of every right.

It should, therefore, be always borne in mind that the land-tax owes its innocuousness partly, no doubt, to its moderation, but principally to its being fixed and invariable, and to the prosperity of the country. But even in England we have had some striking instances, in the assessment of the poor and other local rates, of the pernicious influence of taxes proportioned to the rent. In the parish of Cholesbury, in Bucks, the poors-rate, which amounted in 1801 to 10*l.* 11*s.* a year, had increased, in 1832, to no less than 367*l.*, notwithstanding the population had continued all the while nearly stationary! It would be foreign to our objects to inquire into the circumstances which led to so flagrant an abuse of the compulsory provision for the poor. But, in whatever way it originated, it did not merely put a stop to all improvement, but actually induced the proprietors of the parish to abandon their rents, the occupiers their tenancies, and the clergyman his glebe.* Happily the evil does not seem to have attained to such a height in any other part of the country. But notwithstanding the low rate at which rents have been usually valued in assessments for the poor and other local burdens, the influence of the latter in discouraging improvements has been dwelt upon by all agricultural writers from Arthur Young downwards; and, conjoined with tithe, has been a principal cause of the slowness of agricultural improvement in most parts of England, during the last seventy or eighty years, as compared with its progress in Scotland. The more, indeed, that their operation is inquired into, the more clearly will it appear that taxes proportioned to the rent or to the nett or gross produce of the land are the bane of every country in which they exist. They never can be otherwise than unequal; and when carried to any considerable height they hinder the spread of agricultural improvement, and exercise a most pernicious influence over the public prosperity.

The act imposing the land-tax, 4 Will. & Mary, cap. 1.,

* Report of Commissioners of Poor Law Inquiry, p. 64., 8vo. ed.

also imposed a duty of 4*s.* per pound on pensions and offices, and of 24*s.* per 100*l.* on personal property. It would, however, appear, that, in no long time, the commissioners to whom the levy of the tax was entrusted, all but wholly abandoned the assessment on personal property, most probably from the difficulty of learning its amount, and contented themselves with assessing the tax on what was fixed and tangible. In illustration of this, we may mention that while the perpetual assessment charged by the act of 1798 on lands and tenements in Essex, one of the most heavily burdened counties, was fixed at 88,638*l.* 10*s.* 2¾*d.*, the assessment on personal estate amounted to no more than 1*l.* This portion of the tax was, indeed, wholly abandoned in 1833, having been repealed by the act 3 Will. IV. cap. 12. The sum assessed on offices and pensions is but inconsiderable.*

But if, notwithstanding its pernicious influence, it be deemed necessary, either for public or local purposes, to impose a land-tax which shall not be fixed, but capable of indefinite increase, the best way to effect this would appear to be to make a valuation of the nett annual value of the land; and to assess the tax accordingly, with and under the condition, that whatever additions or deductions may be made to or from it in time to come, shall be proportioned to this original valuation. A tax imposed in this way would be far less objectionable than if it were made to vary with the rent or with the nett or gross produce of the soil. Thus suppose that two farms are rated in the original valuation at 100*l.* each; if the tax were 5 per cent., they would, of course, pay 5*l.* each; and in the event of its being increased at any future period to 7½ or 10 per cent., they would pay 7*l.* 10*s.* or 10*l.* each; though, in the meantime, one of the farms may have become, under this equal rate, through the judicious outlay of capital or otherwise, worth 200*l.* or 300*l.* a year, while the value of the

* See the evidence of John Wood and William Garnett, Esquires, in the Second Report of the Commons Committee on the State of Agriculture in 1836, pp. 255—270.

other may have undergone no corresponding change. Even under a system of this sort the increase in the rate of assessment would discourage improvements; for one is always disinclined to lay out capital on anything subject to a rate of taxation that may be indefinitely increased, and from which there is no escape. Certainly, however, the discouragement in this case would not be so great as it would be were the basis of the assessment variable; and the rate proportioned, not to the old, but to the new or improved value of estates.

Exclusive, however, of the disinclination to improve occasioned by variations in the rate of assessment, a project of this sort is liable to much obstruction from the difficulties in the way of fixing the primary or original valuation, that is to serve for its basis, on an equitable principle. Suppose it were found that two farms were fairly let each for 100*l.* or 500*l.* a year; it might, perhaps, be concluded that nothing more was required to be known respecting them, and that they should be respectively valued at the same sum: and yet a proceeding of this sort might involve extreme injustice. One of the farms, though naturally bad land, may belong to an enterprising intelligent proprietor, by whom it has been highly improved, so that its rent consists principally of a return for the capital expended upon it, a considerable portion of which will most probably require to be perpetually renewed. The other farm may belong, on the contrary, to an indolent, careless, landlord, who has done nothing for its improvement, its rent being wholly a consequence of its naturally superior soil or situation. Surely it is obvious that, by valuing these farms at the same sum, a grievous injustice would be done to the owner of the first, who would be burdened, in all time to come, with a tax not proportioned to the value of his land, but to the amount of the stock, whether lasting or perishable, expended upon it. This is a difficulty inseparable from all attempts to tax rent, or to make its amount a basis for taxation. In enacting a land-tax founded upon a valuation of this sort, the legislature would, in fact, enact that perpetual premiums should be given to those who had been idle and improvident, and perpetual

fines imposed upon those who had been industrious and diligent.

It has been attempted to obviate these revolting consequences, by directing those employed in valuing land to make their estimates depend rather upon what it might be worth intrinsically than upon its worth when highly improved; and to deduct from the rent a sum adequate to insure the farm buildings, and to replace them and similar outlays on the land when they may be supposed to be worn out. But, though some of the more striking instances of hardship may, no doubt, be got rid of in this way, it is to be feared that the cure will sometimes be but little better than the disease. It has been already seen how impossible it is to say what an estate owes to nature, and what to improvements; and it is obvious, that valuations made out in the way now stated, can have but slender claims on the public confidence. They depend on no fixed principle, but on the worst of all securities, the good faith, intelligence, and discretion of the valuers! so that full scope is given for every sort of abuse, whether originating in error or in corrupt motives. But when, despite its inequality and other bad consequences, the imposition of a tax on land, or on the rent of land, is determined upon, the preferable plan is to estimate the value of the land or the rent as fairly as practicable; and having done so, to make the assessment perpetual at a *low* per-centage upon such valuation, without ever varying the latter or the rate. Variations in the rate are least pernicious; but all uncertainty, either as to the valuation or the rate, inevitably discourages the employment of capital on the land, and depresses the most important branch of national industry.

Hitherto the sums levied in this country on account of the poor, highway, and other local rates have, as previously seen, been mostly raised by assessments on land and other fixed property, especially the former. It is probable, however, owing to the conflicting statutes and decisions with respect to these rates, and the discrepancy in the practice followed in their assessment in different parishes and districts, that a statute providing for their consolidation and for their uniform

assessment and collection, will, at no distant period, be enacted.* And should such be the case, it will, perhaps, be found to be most advisable that a general valuation of the land should be effected, with as much care and attention as the circumstances will admit; and that the rate for the local burdens referred to should in time to come be proportioned to this valuation without taking any account of the improvements that may subsequently be effected. In a case of this sort the limitation of the rate is unluckily impracticable; but we shall do what is next best, if we declare that the valuation on which it is to be raised shall be a perpetual *maximum;* and that though, under certain circumstances, it may be reduced, it shall not, under any circumstances, nor in any case whatever, be increased. It is, of course, to be understood that this limitation of the valuation applies only to land; for it will be afterwards seen that but little, if any, inconvenience arises from varying the assessments in the case of buildings, and such like descriptions of property.

It may be said, perhaps, that a tax proportioned to a permanent valuation of the land, must, in the course of no very long time, become unequal, not merely from the influence of improvements in certain districts and not in others, but from changes of situation, originating in the opening of new channels of commerce, and the shutting up of the old, the growth and decay of manufactures in particular localities, and so forth. But though these circumstances would undoubtedly alter the value of property and vitiate the valuation, the mischievous consequences that would attend the periodical revaluation of the land are such, that no policy of that sort should ever be thought of. Proprietors of estates subject to a variable land-tax have, in fact, only a modified right of property in them, government being entitled to claim an indefinite share of their produce. Such persons are consequently without that feeling of security which is at the bottom

* The most valuable information in regard to the assessment of local rates is embodied in the evidence of Mr. G. C. Lewis, M. P., before the Lords Committee of 1850, on Parochial Assessments. It has been published in a pamphlet.

of all enterprise and improvement; and it were idle to suppose that they should make the same outlays on their estates that they would make if they held them in absolute property under an invariable tax, or, which is next best, under a tax *proportioned to a valuation that cannot be raised.*

It is obvious that when the value of estates is augmented by the occurrence of any of the favourable contingencies alluded to above, the limitation of the valuation is highly for the advantage of their proprietors. But, on the other hand, when estates fall in value, in consequence of the occurrence of unfavourable contingencies, their proprietors might fairly complain, were they to be assessed in all time to come on valuations made under circumstances which no longer existed. And to obviate the injustice which might thus be occasioned, it would be right and proper to enact that, though wholly unsusceptible of increase, valuations might, under certain circumstances, be reduced. If a dock, a harbour, a factory, a ferry, a railway &c., existed on an estate when it was valued, and if, owing to some change of circumstances, such dock, &c., has been transferred to some other locality, it is but reasonable that its valuation should be revised, and made to square with that lower value to which it has been reduced without any fault of the proprietor. It would, however, be quite another thing if the decline in its value had been a consequence of the adoption of a worse or more slovenly system of management; and to reduce the valuation in such a case would be to give a premium to sloth, extravagance, or ignorance, or to all three. And hence, supposing this plan were adopted, whenever application was made to have a valuation reduced, it should be referred to a jury to decide whether the value of the property had been reduced by circumstances over which the landlord had no control, and which he could not prevent; and in such case, and such case only, it would be expedient and equitable that the property should be revalued.

A system of this sort, by making the valuation a perpetual *maximum,* would do the most that can be done, with a variable rate of assessment, to hinder the tax from obstructing

improvements; while by allowing, under certain circumstances, the valuation to be reduced, it would provide against the hardship that might otherwise arise when estates fall in value from contingent and unavoidable circumstances.

The injurious operation of oppressive, and especially of variable, land-taxes is strikingly exemplified in our Indian dominions. The land-tax has always constituted the principal part of the revenue of Hindostan, and of most other Eastern countries. The British government, like the governments by which it was preceded, may, in truth, be regarded as the real proprietor of the greater part of the vast dominions subject to its authority in India; its rights as such being, however, in so far modified that the cultivators have an hereditary and transferable right of occupancy so long as they pay the share of the produce demanded by government. The value of this right to the rural population varies in different districts, according to the nature of the country and the resistance they have been able to make to the exactions of their rulers. But in most parts the tax on land is quite enormous; and being, except in Bengal since the introduction of the perpetual settlement by Lord Cornwallis, variable as well as exorbitant, it has been an insuperable obstacle to improvement, and has either reduced the inhabitants to the most abject state of poverty or retained them in that state.*

SECTION II.—TAXES ON THE RENT OF HOUSES.

With the exception of those in peculiarly fine or fashionable situations, the rent of houses consists principally of a return for the capital required to build them, or, as it is usually termed, of *building*-rent, a comparatively small part only being *ground*-rent, or rent payable for the land on which they are built. It is evident, therefore, from the principles already established, that, were the supply of houses easily

* See the note on this subject in the Appendix.

diminished and increased, a tax on their rents would fall wholly on the occupiers and ground landlord; and be divided between them in the proportion which the profits of the capital expended on their erection bears to the rent of the ground on which they stand. But the supply of houses not being susceptible of speedy diminution, the builders have no means of immediately raising rents when a tax is laid on them; and unless the demand for houses were rapidly increasing, a considerable period would necessarily elapse before they would be able to relieve themselves of the tax, which, in the meantime, would have to be defrayed out of their profits. Houses, however, though slowly, are yet certainly perishable. And as no more of them would be built after they had been taxed, until their diminished supply, or the increased demand, had raised their rents so as to indemnify the builders for the tax, it is clear that, in the end, it would be thrown wholly on the occupiers and ground landlords in the proportions already mentioned.

Taxes on houses have been, for a lengthened period, ordinary sources of revenue in this country. They were introduced by the Act 7 Will. III. cap. 18.; and we are inclined to think that where the assessment is proportioned to the rent, they are among the least exceptionable taxes that can be devised. Houses are occupied either wholly as residences, or they are used partly as such and partly for the purpose of carrying on some sort of business or profession. Now, with respect to the first of these descriptions of houses, or those used wholly as residences, they may, speaking generally, be taken as a pretty fair index of the incomes of their occupiers. For, though rich people sometimes live in inferior houses, and those who are less opulent, but who wish to make a display, in superior houses, these divergences from the common rule are not very numerous; and it may be assumed in most cases, that taxes laid on houses in proportion to the rent, will be pretty nearly proportioned to the abilities of the parties by whom they are occupied. It may be alleged, perhaps, that it is not necessary that the same rate of duty should be imposed on all descriptions of houses. But graduated or cumulative taxes should

always be avoided. Inasmuch, indeed, as those occupying one class of houses may resort to another in the event of their thinking the tax too high, there is, probably, less objection to increasing the rate of duty on houses in proportion to their value, than on most other things. At all events, there can be no solid objection to the tax, provided it be equally imposed. Government is certainly entitled to charge houses, like ordinary commodities, with the same rates of duty.

With respect to the other description of houses, or those used partly only as residences, and partly also as shops or places of business, there is more difficulty. In most cases, a tax on shops, being an increased charge upon the shopkeepers, would in the end be thrown upon their customers or the public. But in those cases in which the rent of shops should be regarded, from the peculiarity of their situation, as a species of monopoly rent, a tax on them would ultimately have to be borne, in great measure, by the ground-landlords. To get rid of these anomalies, and to obviate the outcry which the imposition of a shop-tax would be likely to occasion, the better plan would probably be to exempt shops and places of business from the tax, and to confine it to the buildings or parts of buildings used as dwelling-houses. When thus restricted it may be easily and fairly assessed.

Being impressed with the force of these considerations, we cannot help regarding the abolition of the house-tax in 1835 as an ill-advised concession to vulgar clamour. A tax on houses interferes with no branch of industry. The subjects on which it is laid are obvious, and can neither be concealed nor made away with; and it is never any very difficult matter to determine their value with sufficient precision for its impartial assessment. In these respects a house-tax has many advantages as compared with taxes on property or income. The inquisitorial proceedings indispensable in assessing the latter, and which are at the same time so ineffectual to the discovery of truth, and so justly complained of, are wholly unnecessary in the case of taxes on houses. These are easily assessed; and,

except in the mere fact of payment, they involve little or nothing that should occasion irritation.

In 1834, the year before its repeal, the late house-tax produced 1,262,754*l.*, though farm-houses, and all sorts of houses under the value of 10*l.* a year, were exempted from its operation. But it is difficult to discern any good reason why any description of houses should be exempted. The occupiers of 10*l.* houses have been intrusted with the elective franchise, and it is but reasonable that those to whom so valuable a privilege has been given should contribute their fair proportion of the tax on that description of property which has been made the test of their ability to exercise the franchise. The occupiers of all descriptions of houses, whatever may be their value, have hitherto contributed to the taxes on commodities; and if these taxes be reduced, or their increase prevented, by imposing a duty which affects only the higher class of houses, the equality of taxation is trenched upon, and the occupiers of inferior houses are benefited at the expense of the occupiers of those that are superior. But it is needless to say that all preferences of this sort are most objectionable. A duty on houses should fall on all alike. Supposing it were 10 per cent., or 10*l.* on a house worth 100*l.* a year, it should be 10*s.* on a house worth 5*l.*; and it is in every respect as unjust to tax the former and exempt the latter, as it would be to tax the latter and exempt the former. Government is not instituted to protect or favour this or that class, but to maintain the equal rights of all. And this can only be done, in as far as taxation is concerned, by imposing the same rates of duty on houses and on other things how much soever they may differ in value.

But, how obvious soever, these principles have been entirely lost sight of in the house-tax imposed, in 1851, by the 14 & 15 Vict. c. 36. It applies only to houses worth 20*l.* a year and upwards, which are subjected to a duty of $3\frac{3}{4}$ per cent. on their annual value, provided they be not farm-houses, or in part occupied as shops, in which cases the assessment is only $2\frac{1}{2}$ per cent. This duty will, for a while at least, be positively advantageous to the owners of

inferior houses; for while it will in some degree lessen the demand for houses of 20*l.* a year and upwards, it will proportionally increase the demand for those worth less than 20*l.*; and there will, consequently, be an inducement to build inferior rather than superior houses, till the greater increase of the former has reduced their rents and the profits of those who build them to the common level. But though all exemptions from a house-tax be thus doubly objectionable, it might be expedient, were it extended to houses under 10*l.* a year, to make the duty on them be assessed upon and paid by the proprietor or his agent. A condition of this sort would facilitate the collection of the tax, at the same time that it would obviate the alleged hardship of assessing it on labourers, and be advantageous by discouraging the building of cottages, except when they are really required.*

It appears from the Census Returns that there were in Great Britain, in 1841, 3,444,840 inhabited houses, and in 1851, 3,669,437 do. Of these, however, it is not supposed that more than a fourth part are worth 10*l.* and upwards. But as the old house-tax on this small portion of the then existing houses, with the further deduction of farm-houses, produced about 1,260,000*l.* a year, it is easy to see, that had the tax been extended so as to embrace the lower descriptions of houses, it would have been rendered a prolific source of income. In further corroboration of this statement, we may observe that the rental of the dwelling-houses assessed to the poor-rates in England and Wales in 1840-41, amounted

* This principle has, in fact, been acted upon in the assessing of inferior tenements to the poor-rates both in England and Ireland. See Evidence of G. C. Lewis, Esq., before the Lords Committee of 1850 on Parochial Assessments, p. 33.

It may be said in excuse for the limited basis of the new house-tax, that it was imposed to compensate, in part at least, for the repeal of the window-tax; and that, had it been extended to houses below 20*l.* a year, it would have affected great numbers that were exempted from the window-duty. But, though quite correct, this statement does not affect the reasoning in the text. The limitation of the window-tax was as objectionable as the limitation of the house-tax, and should not have been taken as a precedent.

to 23,386,401*l.*; and adding to this sum one fifth part for Scotland, the gross house rental of Great Britain may then have probably been about 28,000,000*l.* a year. The increase in the rental in the interval may be estimated at another fifth part, making the present (1851) rental 33,600,000*l.* And supposing this rental to be charged with a duty of $7\frac{1}{2}$ per cent., it would produce 2,520,000*l.* a year. At 10 per cent. the duty would produce 3,360,000*l.*

A prejudice was raised against the late house-tax from a notion that it was unfairly assessed, and in proof of this it was said that not a few of the middle class of inns and hotels paid a larger amount of house-duty than was paid by the most splendid baronial residences. But the unfairness in these cases was accidental rather than intentional, and grew out of the mode in which the tax was assessed. The rent which a house would bring, and not the sum which it had cost, was taken as the basis of the assessment. And everybody knows that the residences referred to would not let on any terms; and that, except their owners, none would occupy them unless tempted by the offer of a considerable bonus. It is right, however, that these costly edifices should be taxed; and that in assessing the duty on the more expensive class of villas and palatial residences, whether in town or country, regard should be had to their cost as well as to their market value. If rich or vain men choose to expend immense sums in building houses, too large for other people to occupy, that appears to be a very good reason why they should, but none why they should not, pay taxes upon them. And they will be fairly taxed, and the inequality complained of obviated, by making the probable outlay upon such houses a principal element in determining the amount of the duty with which they are to be charged.

The window-tax, which was imposed at the same time, and by the same Act as the late house-tax, was, in all respects, more objectionable than the latter, and should have been repealed in preference. The number of windows in a house affords no criterion of its value or of the probable means of those by whom it is occupied. "A house of 10*l.* rent in a country town may sometimes have more windows than a

house of 500*l.* rent in London; and though the inhabitant of the former is likely to be a much poorer man than that of the latter, yet, so far as his contribution is regulated by the window-tax, he must contribute more to the support of the state."* Frequently, too, a tax on windows makes houses be built on improper principles, and with less light than may be desirable for health as well as convenience. A tax on houses is free from these inconveniences; it is proportioned to their value and most commonly also to the fortune of their occupiers, and it interferes in no sort of way with the taste or plans of the builder. The window-tax was finally repealed in 1851, when, as already seen, the present house-tax was established in its stead.

The *contribution mobilière*, imposed in France in 1791, by the Constituent Assembly, on movable property, was intended to balance the *contribution foncière*, which falls exclusively on land and other fixed property. It consisted principally of an assessment on the occupiers of houses in proportion to their rents; those parties whose revenues were derived wholly or in part from land, being either wholly or partially exempted from the tax. Assuming that the annual value or rent of the houses occupied by individuals affords, on the whole, the best test that can be found of their fortune or ability to bear taxes, the Assembly selected it as the principal evidence on which to assess the *contribution mobilière;* the grounds for doing so being ably set forth in a Report by a Committee of the Assembly, which preceded the introduction of the tax. This tax has since undergone various changes and modifications. In 1831 government proposed that it should be established at the rate of 6 per cent. on all habitations; and had this proposal been carried into effect, it would have formed an important source of revenue, which, though no change had been made in the rate, would have increased with the increasing wealth of the country. The Chambers, however, modified the project in so far as to fix a principal for this tax and for the *contribution personnelle* (a direct tax on

* Wealth of Nations, p 382.

labour) of 34,000,000 fr., or nearly 1,400,000*l.* sterling, distributed among the departments in certain proportions; and this principal, with the *centimes additionnels*, produced, in 1837, 55,646,396 fr., and in 1849, 61,624,300 fr. In consequence of this arrangement the amount of the tax differs in different parts of the kingdom; and though it is to be newly distributed once in ten years, it can never be made a really equal burden.*

The fixing of the principal or basis of the assessment of the house-tax appears to be an error. A tax proportioned to the rent of land is objectionable from its obstructing the progress of agricultural improvement. But a tax proportioned to the rent of houses is not open to any such objection. Suppose it were fixed at 10 or 15 per cent., its utmost effect would be to make parties who might have occupied houses worth 100*l.* a year, had there been no tax, occupy houses worth only 90*l.* or 85*l.* But the fair presumption is, that in very many cases the parties would endeavour, without resorting to inferior houses, to defray the tax by greater exertion and increased economy in other things.

In addition to the tax on rent charged upon the occupiers, houses are assessed in France to the *contribution foncière*, and they are further charged with duties on doors and windows. House taxes are also imposed in the Netherlands, Austria, Prussia, and most other Continental States; and they are everywhere, we believe, reckoned among the least questionable modes in which a revenue can be raised.

In Austria the house-tax was placed on its present footing by a law passed in 1819. Its assessment in Vienna and other great towns differs from its assessment in the country and in the smaller towns. In the former it is proportioned to the rent; 15 per cent. being deducted for wear and tear, the residue is subjected to a tax of 18 per cent., the assessment being thus, in fact, about $15\frac{1}{3}$ per cent. on the total rent.†

* Macarel, "De la Fortune Publique," iii. pp. 230—353.

† Supposing a house in Vienna to let at 100*l.* a year, it would pay 15*l.* 6*s.* of house-tax, 18 per cent. on 85*l.* (100*l.*—15*l.*) being 15*l.* 6*s.* (Tegoborski, Finances de l'Autriche, i. 176.)

CHAPTER II.

TAXES ON PROFITS.

A TAX proportioned to the nett profits realised by those engaged in all departments of industry, provided it were fairly imposed, would fall wholly on profits.

Such a tax would equally affect all capitalists. When five or ten per cent. were laid on the profits of the farmer or manufacturer, a like sum would be laid on the profits of the merchant, the ship-owner, and all other employers of capital or labour. And as no one could hope to evade a universal tax of this sort by changing his business, it would not occasion any transfer of capital from one employment to another. Neither would it occasion any variation in the supply and demand of commodities, or in their money price. For, as the tax falls on profits and not on capital, it would not impair the means of production. It would, no doubt, diminish the means of purchasing of those whose incomes were derived from profits; but as it would proportionally augment the means of purchasing possessed by the government and its dependents, who receive the tax, the aggregate demand of the society would continue the same. And hence, as the tax would neither lessen the capital of the producers, nor the ability to purchase its produce, it is obvious it would not affect prices.

An equal tax on profits would, therefore, in the first instance, reduce them in the same proportion. And as the power to accumulate capital, and consequently to feed and employ additional hands, is always proportioned to the rate of profit, it follows that the tendency of taxes on profits, and their ultimate effect, if they be carried to such a height as to prevent their being balanced by increased exertion and economy, is to check the accumulation of capital and the progress of population.

But these conclusions, it must be borne in mind, are true only on the supposition that the tax is made to affect *all* profits

to the same extent; and practically this is impossible. There are no means by which to measure the rate of profit in different businesses. Generally, indeed, it can only be guessed at even by those who carry them on; and were an attempt made to tax profits, most individuals would underrate their amount, and, in the far greater number of businesses, it would be quite impossible to form any accurate estimate of their magnitude. It would, in consequence, be necessary to adopt some general rules for assessing the tax; and the vice of these is, that, being bottomed on assumed average rates, they invariably, even when most accurate, make those engaged in unsuccessful speculations pay a great deal too much, while those engaged in peculiarly successful speculations pay only a comparatively small portion of what they should pay were the tax fairly assessed. Profits cannot, in truth, be ascertained; and consequently never have been and never can be taxed in proportion to their amount. And though it be important to know how a tax on profits would operate were it equally imposed, it must be remembered that this is impracticable, and that the supposition is made merely to illustrate a principle.

A tax laid on the profits of a particular business, without applying to others, would have a different effect. It would, sooner or later, raise prices, and would not, therefore, permanently fall on the producers, except in as far as they were themselves consumers of their own produce. Suppose, for example, that a tax of 10 per cent. is laid on the profits of the shoemaker, and on none else: the slightest consideration will show that this tax must, in the end, add proportionally to the price of shoes. When first imposed, the shoemakers will make less profit than the untaxed parties engaged in other businesses, and they will, in consequence, gradually contract or leave their business, until, through the diminution in the supply of shoes, their price is raised so as to yield the current rate of profit, exclusive of the tax. For the same reason, if a tax laid only on the profits of the hatter, or clothier, or farmer, be not partially or wholly countervailed by an increased facility of production or saving of expense, it will

make, in the end, a corresponding addition to the price of hats, cloth, or agricultural produce. In these cases the producers can raise prices, and consequently can throw the burden of the tax on the consumers; because they can withdraw from the businesses in which profits are taxed, and engage in those in which they are not taxed. But when the profits realised in all kinds of businesses are equally taxed, they are deprived of this resource; and have no means either of raising prices or of evading the tax.

It must, however, be observed, that, though a tax on the profits of those engaged in a particular profession or business, or in the production of a particular article, will, in the end, be defrayed by those who purchase the services of the parties or the article, the rise of price by which this transfer of the tax to the consumers is effected may so narrow the demand for the products or services of the taxed class as to make it very injurious to their interests. Were a peculiar tax of ten or twelve per cent. laid on the profits of the hatters, it would, for the reasons already stated, eventually add an equal amount to the price of hats, and be thrown wholly on the public. But if this rise, by occasioning (as it would most probably do) the substitution of caps and other articles for hats, should materially lessen the demand for the latter, the business of the hatters would, it is plain, be proportionally diminished; and they would, most likely, be driven in considerable numbers from their employment. This result might, it is true, be partially or wholly obviated were any considerable discovery or saving of labour or expense simultaneously made in the business carried on by the hatters or taxed class; and it is further true that the imposition of the tax would make them endeavour to neutralise its influence by increased exertion and economy, without adding to the price of hats. But, unless when some discovery or saving of the kind now alluded to is made, it is the climax of error to suppose that because taxes on those engaged in peculiar businesses are in the end identified with the price of their products or services, and thrown upon the consumers, they are not, therefore, in-

jurious to those on whom they are directly imposed. In point of fact, there are but few instances in which, for a while at least, such taxes do not lay the latter under very serious difficulties; while, in many others, their influence is, in this respect, of an abiding character. We shall afterwards show that the malt-tax is, for the reasons now glanced at, especially injurious to the agriculturists.

Hence it appears, that when the demand for any article is narrowed by a tax, some of its producers, including most probably those who are least prosperous, begin to withdraw their capital and industry from its production to other businesses; and when this has gone on for awhile, and the level of price and profit been restored, the influence of the tax on those who still continue in the business may, perhaps, be but little sensible. But though this result will in most cases be ultimately brought about, it is not always an easy matter to effect an equalisation of profit in the way now pointed out. The transference of capital and labour from one business to another is usually a troublesome and costly, and sometimes even an impossible, proceeding. The fixed capital, employed in a particular department of industry, being frequently quite unsuited to any other, a tax which should throw it wholly or partially out of employment would occasion a loss to its proprietors from which they might have no means of escaping. When, indeed, a country is fast increasing in wealth and population, taxes on the profits of particular businesses, or on commodities, supposing they are kept within due bounds, seldom entail more than a temporary hardship on the producers, and are either met by increased efforts of skill and economy, or partly by these and partly by the increasing wealth and demand of the country. But in stationary or retrograde countries their influence would, most likely, be very different; and, if taxes were imposed on the profits of those engaged in businesses that require the agency of a peculiar description of fixed capital, the chances are, that they would not only diminish the businesses, but also destroy a portion of the capital or stock of those engaged in them.

It is easy to see, from these principles and considerations, that a tax laid equally on the profits of agriculture and other businesses would not occasion any diminution of rent. When farmers are taxed to the same extent as other producers, they have no motive to withdraw capital from the land, so that no variation will take place in the price of corn; and, as rent consists in the excess of the produce obtained by the capital first applied to the land over that which is obtained by the capital last applied, it is not affected by such tax. Mr. Ricardo, however, contends that, if the tax, instead of being general and equal, were laid only on the profits of the farmer, it would occasion an increase of rent. Rent, he argues, does not, as has been seen in the preceding chapter, enter into the cost of that portion of the required supply of farm produce which is raised by the agency of the capital last laid out on the land. Its raisers could not, therefore, indemnify themselves for any burdens laid on them by making an equivalent deduction from rent. And hence, when a tax is laid exclusively on the profits of agricultural capital, the price of raw produce must sustain in the end a corresponding rise; for, in the event of its not rising, the producers of that portion which pays no rent would abandon their business, and the necessary supplies would not be obtained. Inasmuch, however, as the rise of price which is required to remunerate those who raise corn that pays no rent, after a tax is imposed on profits, must be *universal*, it must raise rent. Thus, on the supposition that *five* equal capitals, applied to soils of various degrees of fertility, respectively yield 100, 90, 80, 70, and 60 quarters, their *corn* rents would be 40, 30, 20, and 10 quarters; and if the price required to remunerate the cultivators of the *fifth* and worst quality of land, which pays no rent, were 2*l.* a quarter, the *money* rent of the *first* quality would be 80*l.*, of the *second* 60*l.*, of the *third* 40*l.*, and so on. Suppose, now, that a tax is laid exclusively on the profits of agricultural capital, and that, to remunerate the cultivators of the worst land, the price rises from 2*l.* to 2*l.* 10*s.* a quarter; it is plain, according to Mr. Ricardo, that the rent of the *first* quality would be raised to

100*l.*, the second to 75*l.*, the third to 50*l.*, and so on; being an increase of 20*l.* on the rent of the *first*, of 15*l.* on the rent of the *second*, of 10*l.* on the third, &c. Hence he concludes, "to tax the profits of the farmer, and not those of any other capitalist, would be highly beneficial to the landlords. It would, in fact, be a tax on the consumers of raw produce, partly for the benefit of the state, and partly for the benefit of the landlords."*

But in making this statement Mr. Ricardo has tacitly assumed, first, that a rise of price consequent to a tax does not occasion any diminution of consumption; and, second, that foreign corn is excluded from our ports, or loaded with a duty sufficient to countervail that which is laid on the profits of the farmers. Now, with respect to the *first* of these assumptions, it is certainly ill founded. Every rise of price is accompanied by a greater or less diminution of consumption. In the case supposed, the landlords might probably lose about as much by the diminution of demand, and the consequent contraction of tillage, as they would gain by the rise of price; and it is needless to add that they would be serious losers by the discouragement which such a tax would give to the outlay of capital on the land. As regards the *second* assumption, it may be either well or ill founded. But if foreign corn be freely admitted, or if it be burdened with a less amount of duty than is laid on the British farmers, it follows, seeing that the market is in part supplied by parties not subject to the tax, or to any equivalent impost, that prices will not rise in proportion to its amount. Under these circumstances, the occupiers of the poorest lands will be driven from their farms, and rents will, consequently, be reduced. And hence, in the event of a peculiar tax being imposed on the land, it is necessary, if we would do justice to all parties, that an equivalent duty should be laid on foreign agricultural produce when imported. At present, however, it is needless to insist further on this point, seeing that there will be a better opportunity for its elucidation when we come to investigate

* Principles of Political Economy, 3d edit., p. 241.

the incidence and influence of tithe, which is a tax of the kind now alluded to.

The *taille*, which existed in France previously to the Revolution, was one of those oppressive and unequal burdens that grew out of the feudal system, having been imposed after the expulsion of the English in the reign of Charles VII. Without entering into minute particulars, it may suffice to state that it was said to be either *real* or *personal** — the first being assessed on lands belonging to copyholders, or held by a base tenure; while the second and most important branch was, in fact, a tax on the profits of those who occupied lands belonging to others, whatever might be the tenure under which the proprietor held them. No landlord holding directly of the crown was subject to the taille, provided he did not retain above a certain portion of his estate in his own occupation. And this exemption, though it became in no long time highly objectionable, and led in the end to the most ruinous consequences, was originally founded on a not unfair principle. The taille was imposed to enable the sovereign to substitute a standing army for the feudal militia, which had previously constituted the only force of the kingdom. And as the occupiers of the land, or peasantry, were thus relieved, at least to a certain extent, from the troublesome obligation of personal service, it seemed but reasonable that the taille or tax, imposed to maintain the troops should be paid by them; and that the nobility and gentry, who still continued liable to personal service, should be exempted from the tax. But, though unobjectionable in its origin, this difference in the nature of the burdens laid on different classes, opened a door for the greatest abuses. The growing expenses of the state were partly and principally provided for by increasing the taille. And, as Turgot has shown, the exemption of the nobles from the tax for the maintenance of the standing army gradually extended itself to most part of the taxes imposed

* The personal taille extended to other individuals besides those engaged in agriculture, but it is of its operation on the latter only that we have now to treat.

for other objects; till, in the end, the revolting spectacle was exhibited of the wealthiest and most exalted class being relieved from those burdens, imposed for the support of the state, which produced the largest amount of income, and which pressed with the greatest severity on the other and less opulent classes.* A privilege of this sort could hardly have been tolerated, even had it been enjoyed only by the old nobility, to whom the people had been accustomed to look up with respect. But after patents of nobility began to be openly sold, and any tailor or cheesemonger who chose to pay the stipulated price might get himself enrolled in the privileged class, the abuse shocked every unprejudiced individual, and became quite insupportable. It is, indeed, true that the exemption in question was of little or no real value to those in whose favour it was established. Few, however, seem to have been aware of this; while those subject to the taille were not merely borne down by its pressure, but were disgusted with its injustice and the partiality of government. And supposing they had been fully aware of the worthlessness of the privilege conferred on the upper classes, they would most probably have been rendered only the more indignant, inasmuch as they would have felt that the public prosperity was sacrificed in a vain and unavailing effort to exempt the richest individuals from contributing to the necessities of the state. It may, perhaps, be thought not a little surprising that the nobility did not voluntarily relinquish so odious and so useless a privilege. One would suppose that no very lengthened experience would have been required to satisfy them that their interests were identical with those of their tenants; and that, whatever crippled the means, and paralysed the industry of the latter, was most injurious to themselves. And this was in an especial degree the case with the taille. Its amount and pressure differed in different provinces, and also in different parts of the same province. But, owing partly to its vicious nature, and partly to the impossibility of assessing it with anything like fairness, it was, even where lightest, an all but

* Œuvres de M. Turgot, viii. p. 230.

intolerable grievance. The abuses in its collection were of the most flagrant description. "The proportion," says Adam Smith, "in which the taille is assessed in the different provinces varies from year to year, according to the reports which are made to the King's council concerning the goodness or badness of the crops, as well as other circumstances which may either increase or diminish their respective abilities to pay. Each generality is divided into a certain number of elections; and the proportion in which the sum imposed upon the whole generality is divided among those different elections varies likewise from year to year, according to the reports made to the council concerning their respective abilities. It seems impossible that the council, with the best intentions, can ever proportion, with tolerable exactness, either of these two assessments to the real abilities of the province or district upon which they are respectively laid. Ignorance and misinformation must always more or less mislead the most upright council. The proportion which each parish ought to support of what is assessed upon the whole election, and that which each individual ought to support of what is assessed upon his particular parish, are both in the same manner varied from year to year, according as circumstances are supposed to require. These circumstances are judged of in the one case by the officers of the election, in the other by those of the parish; and both the one and the other are, more or less, under the direction and influence of the intendant. Not only ignorance and misinformation, but friendship, party animosity, and private resentment, are said frequently to mislead such assessors. No man subject to such a tax, it is evident, can ever be certain, before he is assessed, of what he is to pay. He cannot even be certain after he is assessed. If any person has been taxed who ought to have been exempted, or if any person has been taxed beyond his proportion, though both must pay in the mean time, yet, if they complain, and make good their complaints, the whole parish is reimposed next year, in order to reimburse them. If any of the contributors become bankrupt or insolvent, the collector is obliged to advance his tax, and the whole parish is reimposed next year,

in order to reimburse the collector. If the collector himself should become bankrupt, the parish which elects him must answer for his conduct to the receiver-general of the election. But as it might be troublesome for the receiver to prosecute the whole parish, he takes as his choice five or six of the richest contributors, and obliges them to make good what had been lost by the insolvency of the collector. The parish is afterwards reimposed, in order to reimburse those five or six. Such reimpositions are always over and above the taille of the particular year in which they are laid on."*

Some of the many mischievous consequences inseparable from such a tax have been already noticed, while others are too obvious to require being pointed out. But it may be necessary to a right understanding of the operation of the taille, and of all similar taxes, further to observe that the assessments were usually made, not so much with reference to the rent paid by the occupiers, or the amount of their produce, as with reference to the presumed value of their stock and other property; so that they were tempted, even when they had the means of getting better, to employ inferior animals and implements, and otherwise to counterfeit poverty! Hence, though the tax had been freed from its extreme inequality and uncertainty, it would still have been in a high degree hostile to agriculture.

"The taille," says Arthur Young, "being professedly levied according to every one's substance, has the mischievous effect of all land-taxes, even when levied honestly and fairly; for a farmer being taxed in proportion to his profit—his success, his merit—what surer method can be taken for annihilating the one and the other? The farmers are really poor, or apparently poor, since a rich man will affect poverty to escape the rise of the tax, which professes to be in proportion to his power of bearing it: hence poor cattle, poor implements, and poor dunghills, even on the farms of men who could afford the best. What a ruinous and detestable system; and how surely calculated to stop the current of public wealth!"†

* Wealth of Nations, p. 385. † Travels in France, vol. i. p. 405.

The greatest statesmen of whom France has to boast have participated in the opinions thus forcibly expressed; though, owing to the false pride and prejudices of the nobles, and the vicious constitution of the government, the taille could neither be suppressed nor thoroughly reformed otherwise than by a revolution. "*M. de Sully regardait avec raison cet impôt comme violent et vicieux dans sa nature, principalement où il était personnelle. Une expérience constante lui avoit prouvé qu'il nuit à la perception de tous les autres subsides, et que les campagnes avaient toujours dépéri à mesure que les tailles s'étaient accrues. En effet, dès qu'il y entre de l'arbitraire, le laboureur est privé de l'espérance d'une propriété, il se décourage; loin d'augmenter sa culture, il la néglige pour peu que le fardeau s'appesantisse.*"* And such also was the opinion of Colbert, Vauban, Turgot, and, in fact, of all the most eminent authorities on such subjects.

Though it had been limited to some definite proportion, as a tenth or a fifth part of the rent, the taille must, by hindering the outlay of capital on the land, have been exceedingly inimical to the public interests. Owing, however, to the growing necessities and profusion of the government, it was constantly on the increase, and continued progressively to absorb a larger share of the produce of the soil. To prevent the cultivators charged with this ever-increasing burden from relinquishing their farms, those who left one part of the country for another were obliged to pay for a certain period the taille due on the lands they had left; those who left the country to establish themselves in towns being also subjected, but for a much longer period, to the same burden.—(*Encyclopédie*, XV. 843.) But this nefarious attempt to chain, as it were, the cultivators to a single spot, and to prevent them from removing to some less over-taxed district, very generally failed of its object. The inability to pay the tax nullified the law; and, in the central and poorer provinces, or country of the *petite culture*, where it was most oppressive, large tracts of

* Forbonnais, "Recherches sur les Finances," i. p. 107.

inferior land were not unfrequently abandoned by the occupiers.

Even had the mode of its assessment been less arbitrary and less opposed to sound principle, the distinctive character of the tax would have rendered it in no ordinary degree injurious. It was of its essence to be partial and unfair. And, as it affected those only who rented lands or were owners of lands held by a base tenure, its payment was considered as involving some degree of degradation, and as being a mark and a consequence of the ignoble or rather servile condition of those on whom it fell. The few who made anything by farming were thus rendered anxious to withdraw from so discreditable a business; while rich merchants and capitalists were prevented from buying and improving estates. Not only, therefore, did the taille hinder a large part of the capital generated on the land from being laid out upon it, but it turned from it all the capital that had been accumulated in other employments. And if we add to this its direct influence in discouraging industry, it may well be doubted whether any means could have been devised better fitted to retain agriculture in a rude and infant state, to depress rents, and to extinguish emulation and industry amongst the farmers. Considering the lengthened period during which France was subject to this tax, and the additions that were constantly being made to it, the wonder is—not that her agriculture was in an extremely backward state at the Revolution, but that it was so far advanced as it really was.

The present French land-tax, or *contribution foncière*, affects all lands, however occupied. It consists of a certain proportion of the nett produce of the land—that is, of its produce exclusive of the expenses of cultivation, but inclusive of rent. It was imposed by the Constituent Assembly in 1791, and was intended to supply the place of the *taille*, *vingtièmes*, and other taxes on land that were then abolished. Its total amount was originally fixed at 241,000,000 fr., or 9,640,000*l.* sterling; and a committee was appointed to apportion it among the different departments. The amount of the various taxes to be

replaced by the land-tax, that the provinces had previously been in the habit of paying, formed the only ground on which this committee was able to proceed in its distribution; so that the wide differences which, owing to the privileges and franchises enjoyed by certain provinces, existed in the pressure of taxation under the old system, were necessarily perpetuated in the new system. And hence the proportion which the tax bore to the nett produce of the soil was found to be *twice* as great in some departments as in others.

This inequality necessarily gave rise to much dissatisfaction, to appease which large abatements were made in 1797, 1798, 1799, and other years, from the amounts originally assessed on the overburdened departments: the loss of revenue that was thus occasioned being made up by imposing *centimes additionnels;* that is, by making additions to the tax proportioned to its *principal*, or to the original assessment in the instances in which it remained unaltered, and to the new assessment in the instances in which abatements had been granted. With the view, also, of getting the tax more equally assessed, government ordered a *cadastre*, or survey, to be made of the whole kingdom, exhibiting the extent and value of every separate property, and even of every field. This immense undertaking was zealously prosecuted for many years; but after about 30,000,000 fr. had been expended in carrying it on, it was found that it would still require a lengthened period, and a great additional outlay for its completion; and it began, also, to be doubted whether it would be good policy further to disturb the distribution of the tax among the different departments, seeing that, how unequal soever at first, the burden had become accommodated to and mixed up with the value of property in each. In conformity with these sentiments it was enacted, in 1821, that a further deduction of 19,619,229 fr. should be made from the principal of the tax paid by the more heavily taxed departments; that no changes should be made in future in its distribution among the different departments; and that the *cadastre* should thenceforth be employed only in apportioning with greater correctness the quota payable by each department over its surface.

The *contribution foncière* affects houses, mills, and all sorts of fixed property, as well as land. The only material additions made to its principal since 1821 consist of the tax imposed on new buildings, on forest-land brought into cultivation, land gained by embanking, &c.

It appears from the official returns that, in 1837, the principal of the tax amounted to 155,200,083 fr., of which 123,005,340 fr. were assessed upon land, and 32,194,743 fr. upon houses and buildings. Including the additional *centimes*, its total produce that year amounted to 263,239,065 fr.; and as it was assessed on 49,621,769 hectares * (equivalent to 122,622,487 acres) of land, and 6,775,236 houses, &c., it follows that, at an average, each hectare paid 4 fr. 20 c. (equivalent to 1 fr. 70 c. per acre), and each house, or other building, 8 fr. 5 c. Its produce amounted in 1848 to 279,456,080 fr. †

It is obvious that France has gained immensely by the substitution of this tax for the taille and other burdens which affected landed property previously to the Revolution. Its produce differs but little from that of the old taxes; and, while it is collected at half the expense, it has the inestimable advantage of pressing equally on all descriptions of proprietors and cultivators. Hence the jealousies and animosities that formerly subsisted between the privileged classes and the mass of the people have wholly disappeared.

It further appears from the above statements that the *contribution foncière* is now assessed, in part at least, in the way in which we have previously seen that a variable land-tax is least objectionable. The principal of the tax is fixed; the variations in its amount being made by adding to or deducting from it so many *centimes*. Unluckily, however, this principle is not carried out to its full extent; for, though the sum to be paid by each department be fixed, the assessment of this

* Exclusive of 2,905,008 hectares, which include forests belonging to the state, roads, rivers, lakes, burying grounds, &c., exempted from the tax.

† For further information as to the *contribution foncière*, see Macarel, "De la Fortune Publique," iii. pp. 1—228.

sum within its limits is left to the discretion of the local authorities. In consequence the principal sum assessed on estates is liable to perpetual variations, at the same time that they may all be subjected to an indefinite amount of additional *centimes*. But, apart from the latter circumstance, it would obviously be of much importance were the principal of the tax payable by each department distributed at once and for ever among the various properties within its boundaries. This would get rid of the greater portion of the uncertainty growing out of the tax. Its basis would then be fixed; and the subsequent variations would only affect the rate of assessment.

Undoubtedly, however, it were far better, were all uncertainty, either as to the rate or the basis of the assessment, put an end to by following the precedent of the English land-tax—that is, by definitively assessing the sums to be paid by every different property, and declaring that such sums shall be invariable and payable in all time to come. It is abundantly certain that a measure of this description, even though 25,000,000 fr. were added to the amount of the tax, would be one of the greatest boons which can be conferred on France. However heavy in the mean time, the land tax would, after its limitation, have comparatively little influence in preventing or retarding improvements; and the fair presumption is, that agriculture, which is almost everywhere the principal branch of industry, and which in France is of incomparably more importance than all other employments put together, would be prosecuted, in time to come, with a vigour hitherto unknown.

It has been argued, in opposition to this proposal, that it would be wrong to exclude government from participating in the advantages arising from the future progress of agriculture; and that, were the amount of the tax once fixed, it would be proportionally diminished by any fall that might afterwards take place in the value of money. These objections do not, however, appear to be entitled to much weight; and it is unnecessary, perhaps, to do more than refer, in answer to them, to England and Bengal; and to the advantages that

have resulted from the limitation of the land-tax in the one and the establishment of the perpetual settlement in the other. Their experience is conclusive of the question. But we may shortly observe that it is nugatory to suppose that government should not derive the greatest advantage, under the proposed limitation, from the improvement of agriculture. This could not fail to improve the condition of the great bulk of the people, who would consequently pay a comparatively large amount of indirect taxes. At this moment the total revenue of France amounts to about 1250 or 1300 million francs, of which not more than 270 or 280 millions are raised by the land tax. If, therefore, the limitation of the latter should give, as it certainly would, a powerful stimulus to agriculture, on which so great a portion of the population is dependent, it is all but obvious that the revenue would gain instead of losing by the measure. For the improved condition of the cultivators, resulting from the encouragement given to agriculture, would afford them proportionally greater means of contributing to those indirect taxes which are the principal sources of revenue, and which are at present in great part paid by them. It is idle, indeed, to imagine that the condition of the agriculturists of any country, and especially of one in which this class so greatly preponderates as in France, should be considerably improved without an increase of the revenue derived from duties on commodities. The more people have to spend, the more, speaking generally, they do spend. The fixity of the land-tax would make improvements be undertaken that will not otherwise be thought of; while, by means of indirect taxes, government would participate in their advantages.

The same reasoning applies to the supposition of a fall in the value of money after the land-tax had been limited. Such fall would, in so far, improve the condition of the occupiers of land, and their increased consumption of other things might afford the same or, perhaps, a greater amount of revenue to government.

There cannot, therefore, as it appears to us, be any reasonable doubt of the many advantages that would accrue from

fixing the amount of the *contribution foncière* to be charged in future on all properties. When thus fixed, it would cease to be an obstacle to improvements, and the agriculturists would have that security of which they are at present deprived. And, provided means were at the same time devised for putting a stop to the endless division and subdivision of the land, occasioned by the present law of succession *, the prosperity of agriculture would be ensured.

A large proportion of the produce of the land tax is absorbed in provincial expenses, or those incident to the administration of the departments and communes. Thus, of 268,270,250 fr., the total produce of the tax in 1842, no fewer than 78,507,990 fr. were retained to defray local expenditure.

We have entered into these details, partly because of the light which they appear to throw on the nature and operation of an important description of taxes, and partly because they are but little understood in this country. So little, indeed, do we know of the mode in which the public revenue is raised in France, that a notion seems to be generally entertained that it is principally derived from the land, and that a very large proportion of the territorial produce of the country is appropriated by government. Nothing, however, can be more unfounded than such a notion. And, how much soever it may be at variance with the popular opinion on the subject, it is abundantly certain that, including tithes, poor-rates, and other county rates, the land of England is much more heavily taxed than that of France.

In Austria and Prussia the land-tax furnishes a large proportion of the public revenue. The governments of both countries have laudably exerted themselves for a lengthened period to introduce a regular plan of assessment, and to make all lands, whether held by nobles or others, contribute equally to the wants of the state. But notwithstanding the efforts to equalise the assessment, it still differs very widely in different provinces, and sometimes even in different cantons of

* See chap. iv. of the Treatise on the Succession to Property vacant by Death, by the author of this work.

the same province. The principle generally followed is to assess the tax on the nett produce of the land, supposing it to be in a medium state of improvement; the nett produce including, as in France, the rent, but excluding the seed and all expenses of cultivation.*

CHAPTER III.

TAXES ON WAGES.

In every discussion respecting the influence of taxes on wages, or on the articles consumed by the labourers, it is proper to distinguish between the *natural* or *necessary* rate of wages, or the rate required to enable the labourers to subsist and continue their race, and the *market* rate, or the rate paid them at any particular period.

The natural or necessary price of labour, like that of everything else which may be indefinitely increased or diminished, is determined by the cost of its production. The capacity of the labourer to support himself, and to rear as many children as may be required to keep up the supply of labourers, does not, it is plain, depend on the money he receives as wages, but on the quantity of necessaries and conveniences for which that money will exchange. The natural rate of wages must, therefore, depend on the cost of the food and other things required for the maintenance of labourers. It will be high where that food consists principally of expensive articles, such as butchers' meat and wheaten bread; lower where less animal food is consumed, and an inferior variety of grain, such as oats, is used in making bread; and lower still where animal food is wholly, or all

* For full details respecting the land-tax of Austria, see the valuable work of Tegoborski, "Des Finances et du Crédit Publique d'Autriche," i. pp. 143—195.

but wholly disused, and the place of bread is supplied by potatoes, turnips, and such like vegetables. The rate of necessary wages will, also, it is evident, depend a good deal on other circumstances; on the superior or inferior lodging and clothing, and generally on the habits and customs of the poor. But how high soever the price of necessaries may rise, the labourers, speaking generally, must always receive such a quantity as may enable them to support themselves and continue their race. Were wages to fall below this necessary level, they would be left destitute, and the consequent diminution of their numbers would sooner or later raise wages to their old level, or to one not very different from it; and, on the other hand, were wages to rise considerably above this necessary level, a proportional stimulus would be given to population, and the increase of labourers would, in the long run, lower wages.

In considering how wages are affected by taxes, and by variations in the price of the articles used by the labourer, it is necessary to inquire whether they are rated by the day or other specified portion of time, or by the piece. In this country they are partly rated in the one way, and partly in the other. And though, from household servants being mostly paid by time, the generality of persons are most familiar with wages so rated, it may be doubted whether the sums paid on their account greatly exceed those paid to labourers by the job or the piece. This distinction has been little, if at all, attended to by writers on Political Economy; and it may appear to a careless observer as if it were immaterial, in estimating the influence of taxes on wages and commodities, whether workpeople are employed in the one way or the other. But a little consideration will serve to show that this is very far, indeed, from being the case, and that it is indispensable, in reasoning upon such matters, that the distinction in question should be kept steadily in view.

This, however, is not the only distinction to be attended to in these discussions. It is further indispensable, if we would form any accurate conclusions respecting the influence of taxes on wages and on necessaries, to ascertain whether the

labourers (however hired) subject to such taxes live in the houses of their employers, or apart from them in their own lodgings, and on their own account. It is evident that taxes on the articles consumed by domestic servants do not fall on them, but on their masters. Probably, indeed, such taxes, when carried beyond their proper limits, will make fewer servants be employed; but, except in so far as they operate in this way, the duties on sugar, tea, beer, soap, and other articles used by household servants, are wholly paid by those with whom they live. Hence the importance of distinguishing in these investigations between such labourers and those depending on their own resources. Everybody knows that the class of domestic servants in England and other highly civilized countries is very large indeed. And it is apparent that a proportionally large share of the taxes which are said to fall wholly on the lower classes, is neither assessed upon nor paid by them, and in most cases hardly even affects them indirectly. The following remarks will, therefore, refer to those labourers only, whether engaged by time or by the piece, who do not live with their employers, but who provide themselves with lodging and subsistence.

The opinion of those who contend that the rate of wages does not depend on the cost of the articles consumed by the labourers, but on the demand for their exertions compared with their numbers, has obviously originated in their confounding the circumstances which determine the price of labour, at a particular period, with those which determine its necessary or average price. But though the price of labour at this moment or at that depends on its supply as compared with the demand, it is easy to see that the supply will cease to be brought to market unless the rate of wages be sufficient, speaking generally, to maintain and bring up labourers; that is, if we may so speak, to pay the cost of their production. From whatever point of the political compass we may set out, this is the principle to which we must always come at last. To set this in a clearer point of view, let it be supposed that, owing to a deficient harvest, the price of bread is

doubled: it is plain, inasmuch as the same number of labourers would be seeking for employment after the rise as before, and as there is no ground for supposing that a scarcity should increase the demand for labour, that wages would not be advanced. The labourers would, in consequence, be forced to economise, and the rise of price would, by lessening consumption, distribute the pressure equally throughout the year. But suppose that the rise, instead of being occasioned by the accidental occurrence of a scarcity, has been occasioned by an increased difficulty of production, and that it will be permanent, the question is, will wages continue at their former rate, or will they rise? In this case there is every probability that they will rise. But the mode in which their increase will be effected will differ most materially in the case of labourers paid by time, and of those paid by the piece. It is plain that the rise of prices will change the situation of both classes for the worse. Those hired by the day, week, or other portion of time, and supplying themselves with subsistence, who, previously to the rise, had only enough to live upon, will be reduced to a state bordering on destitution. Under such circumstances, an increase of mortality will most probably take place among them; while the greater difficulty of providing subsistence will contribute to check matrimonial connections and the increase of population. By these means, therefore, the number of labourers in this class, or the ratio of their increase, or both, will in all likelihood be diminished; and this diminution will continue until wages have been raised to their natural rate; that is, as Smith has defined it, to such a rate as may enable them to obtain "not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."

But the piece-work labourers have another resource. If A be hired to execute a given work, by which, when using ordinary diligence, he makes 3*s.* or 3*s.* 6*d.* a day, he may, perhaps, be able, by using greater diligence, to make 4*s.* or 4*s.* 6*d.* a day; and may in this way be fully able to meet the

increased burden he is called upon to sustain. It is obvious, too, that every fall of wages, however brought about, unless it be so great as to prostrate all their energies, will not merely stimulate the labourers by piece-work to redouble their exertions, but will make them exert themselves to discover new and more easy methods of accomplishing their tasks. What is true of necessity is true of taxation. If not carried to an extreme, it occasions fresh displays of industry, frugality, and ingenuity.

Dr. Smith and Mr. Ricardo contend that the labouring classes contribute nothing of consequence to the public revenue. But, notwithstanding the deference due to their authority, the previous statements show that this opinion must be received with much modification. Had it been restricted to the case of household servants, it would have been pretty nearly correct. It may, however, be, and we believe most frequently is, very wide of the mark when applied to the case of out-of-door labourers, whether working by time or by the job. Those hired for definite periods, or by time, cannot, it is true, meet the burden imposed by additional taxes, or by a rise of prices, by increased exertion; but they are usually in a condition to meet it in whole, or in part, by increased frugality; and in the event of their inability to do this it will probably affect their numbers, and be, in the end, wholly or partly compensated by a rise of wages. But that large class of labourers who work by the piece, and by whom manufactures of all sorts are principally carried on, may, and certainly do, in all cases, make large contributions to the public revenue. A tax on any article consumed by them, provided it be not excessive, never fails to make them more industrious. Were their powers already tasked to the utmost, such, of course, would not be the case. But, though far from being so comfortable as might be wished, they are not, fortunately, reduced to this miserable state either here or any where else. They have ample room for the exercise of greater industry, frugality, and ingenuity. And so long as this is the case, they will continue to contribute in the most effectual manner to the revenue. It may, perhaps, be doubted

whether the taxes on tobacco and spirits have added materially to the wages of labour; and whether the immense sums contributed to them by out-of-door labourers be not principally the result of the greater industry and frugality occasioned by their desire to command these gratifications.

If a specific quantity of certain articles were necessary for the support of labourers, wages, it is plain, could not be reduced for any considerable period below that quantity or the sum of money which would buy it. But there is no such absolute standard of wages. The articles which are deemed necessaries, and the quantity of such articles made use of, depend, in great measure, on custom and habit, and are, in consequence, extremely variable. The people of Hindostan principally subsist on rice, those of Ireland on potatoes, and those of England on bread and beef. In one country it is discreditable for the lowest orders to be without comfortable clothing, including shoes and stockings, while in others, with a different climate, or with different habits, the clothing of the people may be comparatively scanty and inferior, and shoes and stockings be used only by the rich. In some provinces of France and Spain an allowance of wine is considered indispensable; and in England the labouring class entertain nearly the same opinion with respect to porter, beer, and cider. The differences of public taste at different periods in the history of the same countries are equally striking. The articles which custom and habit render necessary for the comfortable subsistence of the English and Scotch labourers of the present day are as widely different from those which were judged necessaries by their ancestors in the reigns of Elizabeth, James I., and Charles I., as they are from those which form the ordinary subsistence of the labourers of France and Spain. Despite the depressing influence of increasing taxes and other circumstances, the standard of subsistence has been raised, and the poor have been taught to form more elevated notions respecting the quantity and the species of the articles which it would be discreditable for them to be without.

The natural rate of wages is not, therefore, fixed and unvarying. On the contrary, it has a tendency to rise when the market rate rises, and to fall when it falls. The reason is, that the supply of labour in the market can neither be speedily increased when wages rise, nor speedily diminished when they fall. And the powerful influence which fluctuations in the market rate of wages have over the condition of the labouring classes, especially the portion of the out-of-door labourers which is engaged by time, principally depends on this circumstance. If the supply of labour were suddenly increased when wages rise, that rise would be of little or no advantage to the labourers. It would increase their number, but it would not enable them to mount in the scale of society, or to obtain larger supplies of necessaries and conveniences. And, on the other hand, if the supply of labour were suddenly diminished when wages fall, that fall would merely lessen the number of labourers, without having any tendency to degrade their habits or to lower their condition. But, speaking generally, no rise of wages can be countervailed by an increased supply of workmen coming into the market until eighteen or twenty years after it has taken place; for there are few or no branches of industry in which an active and skilful labourer can be bred in a shorter period. And hence the labourer is placed, during this lengthened interval, in a better situation. He has larger supplies of food; he has better clothes and a better habitation; he is rendered more attentive to cleanliness; and as he rises in the scale of society, he uses more prudence and circumspection in the forming of matrimonial connections. Time is given for the formation of new and improved habits. And the opinions of the poor respecting what is necessary for their decent and comfortable subsistence being raised, the natural rate of wages is proportionally augmented.

These results, will, however, be modified, if foreign labourers, or labourers from a different part of the same country, be permitted freely to immigrate into the country, or portion of the country, where wages have risen. There can be no doubt, for example, that any considerable increase of

wages in England would give an increased stimulus to immigration from Ireland; and that the English labourers would, in consequence, be deprived, in part at least, of the advantages which the increase would otherwise confer on them.

It is equally impossible suddenly to diminish the number of labourers when wages fall. Such diminution cannot, as already stated, be effected otherwise than by an increase of mortality, or by a decrease in the number of births, or both. But unless the fall were alike sudden and extensive, it would require a considerable period to render the effects of increased mortality very apparent. It is so difficult to change the habits of a people, that, though the demand for labour were to decline, it would, notwithstanding, continue for a while to flow into the market with but little less rapidity than before. And the amount of population, and the rate of its increase, would not be very materially diminished, until the misery occasioned by the restricted demand on the one hand, and the undiminished supply on the other, had been pretty generally felt.

In whatever way, therefore, a fall of the wages of labourers hired by time and supplying themselves with food and other accommodations may be countervailed, and their restoration to their old level brought about — whether it be by increased mortality, or a decreased number of births, or both, it is never the work of an instant. It always requires a considerable time before it can be effected; and there is, therefore, an obvious risk lest the habits of the labourers should be lowered in the interval. When wages fall, or necessaries rise in price, the poor, if they be unable to meet the difficulty by greater diligence, are obliged to economise. And should the coarse and scanty fare that is thus, in the first instance, forced upon them by necessity, become in the end congenial from habit, the natural rate of wages will be permanently reduced; for, should this contingency be realised, the cost of raising and maintaining labourers will be diminished; and it is by this cost that the ordinary rate of wages is, in the long run, determined. A rise of wages is, therefore, not more peculiarly advantageous to the labourers than their

fall is peculiarly injurious. Its obvious tendency is to depress the condition of the great class engaged by time, and to add, in the first instance, to the privations of the other class. And wherever the labourers can bear to retrench, or to descend from a higher to a lower station, it will be very apt to sink them in the scale of society, unless their unwillingness to part with comforts and enjoyments, and their desire to preserve their position, should make them more industrious, and occasion a greater prevalence of moral restraint, and a slower increase of population.

It is true, indeed, as has been stated by Malthus, that the labourers have the means of effectually raising wages in their own hands; and that by exercising a little more circumspection in regard to marriage, and understocking the market with labour, they may elevate them, whenever they think fit, to any higher level. But though theoretically correct, this is not a principle easily acted upon, or on which, in a practical point of view, much, if any, stress can be safely laid. The conduct of individuals is influenced by circumstances peculiar to the narrow sphere in which they move, and which directly affect themselves, and not by considerations having reference to society. Even supposing that some considerable portion of the population should acquiesce in the abstract truth of the principle stated by Malthus, it would have no sensible influence. An individual may see what would be of advantage to society; but being *one* only among several millions, he cannot but know that all which he could do would be of no moment in bringing about a general result; that "others will swamp the market with their children though he live childless;"* and that, consequently, he should act as may be best for himself without regard to others. And, in thus acting, he is quite right. It is to no purpose to insist on people generally abstaining from matrimonial connections that they may, at some future period, limit the supply of labour, and raise wages! The wish to realise such remote and doubtful results is too visionary ever to become a principle of popular action;

* Newman's Lectures on Political Economy, p. 110.

or, in fact, to have the slightest influence. And though it were otherwise, no sensible effect could be produced without the co-operation of immense numbers; and it is needless to add that combination for such a purpose is quite chimerical. If we would change the habits of the poor, we must go to work differently. Our teaching must have less of a theoretical and more of a practical character. It is the wish of the greater number of men, as it is the duty of all, to act so as may best promote their own welfare, and that of their families and near connections. And if you make it clear to individuals that they will be most likely to effect these ends by abandoning a certain line of conduct to follow another, they may, perhaps, make the change. Hence it is to the selfish and confined rather than to the patriotic and more expansive feelings that those who seek to improve the condition of the poor should especially address themselves. The mischiefs which improvident unions entail on the parties, and the increased comfort and respectability which sobriety, industry, economy, and forethought never fail to insure to every individual, however unpromising his situation, by whom these virtues are practised, are the topics which the friends to the poor should labour to bring before them, and make evident. And were their vast importance to the well-being of individuals set in a clear light, enforced with zeal and earnestness, and made a part of their education, the presumption seems to be, that the conduct of the bulk of the people would gradually become more in accordance with their real and lasting interests. But prospective, distant, and contingent considerations have little or no effect over any but the higher classes. Poverty is never, indeed, so little feared as it is by those who are most likely to become its victims. And it is not till their circumstances begin to improve, and their prospects are brightened, that a depressed and indigent population begin to weigh and reflect upon the tendency of their conduct.

Dr. Smith has said that, "while the demand for labour and the price of provisions remain the same, a direct tax on the wages of labour can have no other effect than to raise them

somewhat higher than the tax."* And he further states that, in the event of the wages of manufacturing labour being increased by a tax, the burden will ultimately fall, not on the manufacturers or merchants, but on the consumers, by an increase in the price of commodities; and that, should the tax raise the wages of agricultural labour, it will really fall, not on the farmer or the consumer, but on the landlord.

But it is easy to see that these conclusions are incorrect. The immediate influence of a tax on wages depends on the mode in which its produce is expended. And it is now admitted on all hands, that, when wages rise, whether from being taxed, or any other cause, that rise does not generally raise the price of commodities, or lower rent, but forms, in most instances, a deduction from the profits or incomes of those who employ labour.

To illustrate its operation, suppose that a tax of ten per cent. is imposed on wages, or that all work-people are made to hand over ten per cent. of their earnings to collectors appointed by government. Seeing that no part of this tax is taken from the employers, it is clear it cannot in any way diminish their means of hiring labour. Hence its effect must depend on the mode in which it is expended. If it be laid out in hiring additional troops or sailors, it can do no immediate injury to the labourer; for, in that case, the government will enter the labour market with means of purchasing, derived (not from the employers, but) from the labourers themselves; and, in consequence of this greater competition, wages will be raised in exact proportion to the additional means at the disposal of government, that is, to the amount of the tax. An example will render this apparent: Suppose that the labourers in a particular country receive 2,000,000*l.* a year of wages; and suppose further, that to obtain the means of increasing the number of troops, its government lays a tax on wages of ten per cent., or of 200,000*l.* It will follow, inasmuch as the employers will continue to come into the market with the 2,000,000*l.* formerly expended by them on

* Wealth of Nations, p. 390.

labour, and the agents of government will also come into the same market with the 200,000*l.* derived from the tax, that wages will be raised in proportion to the latter.

If, however, the tax were not laid out, as has been supposed, in hiring additional troops, but in increasing the pay of those already embodied, or of other government functionaries, its effect would be different. In this case there would be no additional demand for labour. The individuals receiving the tax would, indeed, have a greater demand for products of one sort or other; but their greater demand, being equivalent only to the diminished demand of those by whom the tax has been paid, would make no real addition to the total demand of the country. And thus it appears that when the produce of a tax on wages is employed to hire additional individuals for the public service, it raises, by taking so much labour out of the market, the price of the remainder in proportion to its amount. But when its produce is employed to increase the wages of public functionaries or of troops already embodied, the quantity of labour in the market is not lessened, and the tax consequently falls, in the first instance, wholly on the labourers. But, even in this last case, it might not, and it is most probable would not, continue to be paid entirely out of wages. It could hardly fail, when first imposed, by lessening the comforts, and perhaps also the necessaries of the labourer, to check population, both by retarding the period of marriage and by increasing the rate of mortality; and the diminution of labourers thence arising might, in the end, raise wages so as to throw the tax wholly or partially on the employers.

But, for the reasons already stated, there are very considerable obstacles to a rise of wages in the way now pointed out. And should their reluctance to change their habits in relation to marriage, or their inability to meet the sacrifice the tax imposes by increased exertion and economy, lead the poor to submit to a lower standard of comfort, wages might be permanently reduced, and their condition changed in so far for the worse. The influence of direct taxes on wages, as well as of those which affect them indirectly by being laid on the articles consumed by the labourers, depends, however, as will

be afterwards seen, in great measure on the condition of the country at the time when they are imposed. Burdens which, in an advancing society, might be productive only of some trifling temporary inconvenience, might, in a stationary or retrograde society, be permanently and in a high degree adverse to the interests of the labouring class. But, without reference to the state of society, it is always best to guard against whatever has any tendency to lower the habits of the bulk of the people, or to reconcile them to an inferior scale of living. And on that ground we should be disposed to consider direct taxes on wages as most objectionable, unless their produce were expended in hiring additional troops, or in removing labour from the market. And even in such cases it is questionable whether they should be resorted to. It would be exceedingly difficult to satisfy the labourers that the produce of a tax on wages, however laid out, ever reverted to them. They would see the sacrifice they were called upon to make, but they would see no more. If their condition were not deteriorated, the circumstance would be ascribed to causes which the tax would not be considered as promoting, but as counteracting. Such taxes would, therefore, be in no ordinary degree unpopular. And, besides, it is clear that, if they be expended so as to raise wages — and otherwise they should on no account be imposed — they may as well be laid directly on the employers. If the latter do not pay them at first, they must pay them at second hand. And though their effects were in other respects somewhat different, a prudent administration would rather choose to tax the employers directly than to tax them indirectly, by laying burdens in the first instance on the labourers that will ultimately fall on them. It is true that the plan of directly taxing the employers is of no real advantage to the labourers; but neither is it injurious to the former; and the circumstance of its tending to lessen irritation and to facilitate the imposition of the tax, should make it be preferred.

It is obvious, therefore, that the real injury inflicted on labourers by a tax on wages, expended in the way now supposed, does not consist in its immediate, but in its remote

effects. By falling on profits it tends to diminish the power to accumulate capital. And when carried so far as to have this effect, it cannot fail, unless the rate at which population was previously advancing be diminished by the more powerful operation of moral restraint, to lower wages and depress the condition of the labourers.

The inferior classes in this country have been but little injured by taxes on necessaries. Latterly, indeed, they have all but wholly ceased to exist; and they always were few and moderate compared with their number and magnitude in most continental states. In Holland, Prussia, and Austria duties are imposed on corn when ground at the mill; and in these countries, and in France, duties (*octrois*) are laid on butchers' meat and most other articles brought into all considerable towns, and on salt, beer, houses, &c. It must be admitted, however, that the taxation affecting food in this country used to be materially, though indirectly, increased through the operation of the corn laws; and that our industry and means of enjoyment were in some degree crippled by the high duties which were laid on the importation of provisions, butter, cheese, sugar, and other necessary products. But these laws have been abolished; and the duties have either been repealed or greatly reduced. Their pressure, too, for some time before they were suppressed or reformed by Sir Robert Peel, had been a good deal abated, and was not such as could, in ordinary years, occasion any very considerable injury. Whatever, therefore, is really unprosperous in the condition of the bulk of the manufacturing and other labourers is principally, we fear, a consequence of different and, for the most part, less obvious and more deeply seated causes than the pressure of taxation.

Without entering at any length on this difficult inquiry, which, indeed, is in some respects foreign to the objects of this work, we may shortly observe, that our proximity to Ireland, and the vast influx of workpeople, or rather of pauper hordes from thence, has powerfully contributed to reduce wages on this side the channel, partly by increasing the competition for employment, but more by familiarising the English and Scotch

labourers with a lower standard of comfort, and teaching them to be contented with all sorts of cheaper and inferior accommodations. We believe that this has done, and is continuing to do, great harm to our workpeople. Neither has the injury inflicted on them been accompanied by any corresponding improvement in the condition of the Irish immigrants, who are engaged in the meanest employments, and continue to be immersed in poverty. It may, however, one should think, be reasonably expected that the late extraordinary decline of population in Ireland * will give a very decided check, if it do not put an entire stop, to this immigration. But should it be otherwise, measures should be taken to insure this result, or (which is the same thing) to hinder the Irish from dragging down the native population of Britain to the same low level with themselves. This might be effected partly by lessening the facilities for getting to this country, and partly by increasing those for getting to the colonies and the United States.

It may, perhaps, be said that this immigration has not been altogether unproductive of good consequences, and that the cheap and abundant labour which it has supplied has powerfully contributed to the extension of our manufactures and trade, and to the comfort of the upper classes. But the results referred to, admitting them to be realised, are but a poor set-off against the mischiefs occasioned by the Irish immigration. It is to be remembered, that improved agriculture and manufactures, and the most extensive commerce, are, in themselves, neither good nor bad: that depends entirely on their influence over the bulk of the population. The well-being of the latter is the grand object to be achieved; and improvements in the arts have no value, in a social point of view, except in so far as they conduce to this great end. It is in truth a contradiction to call that an improvement which is the result of a fall of wages, or of the occurrence of any circumstance by which wages have been prevented from rising as much as they would otherwise have done. Suppose that,

* It fell off from 8,175,124 in 1841, to 6,515,794 in 1851.

owing to a fall of wages, the price of some of the principal articles of export is reduced, and that the foreign demand for them is consequently extended, would that be any compensation for the injury which the fall of wages would entail on our population? Exportation is only a means to an end, that end being the subsistence and comfort of the people of England. When it fails to produce this end, it is good for nothing; and a rise of wages by which it should be lessened would be an unquestionable advantage.

Without the Irish immigration the probability is, that population in England would have been less dense, and wages and the standard of subsistence considerably higher. But every body knows that national and individual prosperity does not depend on the numbers, so much as on the condition of a people. Holland, with her 3,056,591* well-instructed, well-clothed, and well-lodged inhabitants, enjoys more of all that gives consideration to nations and happiness to individuals, than Ireland with her present population of 6,515,794 or her former population of 8,175,124 semi-paupers. The advantage which the upper classes gain in densely peopled countries by getting cheap and obsequious servants is of trifling consequence even to them. In a public point of view it is of the utmost importance that wages should be high, and the labouring classes in a prosperous condition. There is no reason to fear that rich people will ever have any considerable difficulty in supplying themselves with servants. And the higher the price they pay for them, the better will it be for the other classes, or for the society.

The increased dependence on the potatoe has been one of the most injurious results of the Irish immigration. Wherever the labourers principally subsist on it their wages are regulated accordingly. But while it is cheaper than any other description of food, its supplies are more variable, at the same time that, owing to its bulk, a deficiency in the crops at home cannot be sensibly relieved by importation. Those, consequently, who principally depend on it are placed in a very

* On the 1st January, 1850.

precarious situation, and have nothing, in fact, to resort to when it happens to be deficient. We, therefore, are not of the number of those who regret the check given to the culture of the potatoe by the late failures of the crop. On the contrary, we think, seeing the disastrous influence of a too great dependence on it, that it would be good policy to restrict or discourage its culture.*

We believe, too, how paradoxical soever the assertion may appear at first sight, that the labouring classes have sustained no little injury from the extraordinary extension of the manufacturing system. In the first instance, no doubt, this system, which originated in the wonderful inventions and discoveries of Hargreaves, Watt, Arkwright, and others, occasioned a great rise of wages, and a proportional improvement in the situation of the work-people. This would necessarily have led, under any circumstances, to an increase of population. But its influence in this respect was prodigiously augmented by the circumstance of the increased demand for labour not being confined to that of males, nor even of adults, but of its comprising that of young persons of both sexes and of the tenderest years. In consequence a family became in the manufacturing towns a source of wealth to their parents instead of a burden. And the population of Lancashire, the West Riding of Yorkshire, and of the manufacturing districts generally, being exposed to the full action of this powerful stimulus, has increased with the rapidity of the most prosperous colony. Unluckily, however, a tendency of this sort, when once impressed upon a population, can only, as already shown, be countervailed slowly and with much difficulty; and though the condition of the labouring classes has been for a lengthened period exposed to great vicissitudes, population has continued to increase with great, or rather, we may almost say, appalling rapidity.

The restrictions imposed of late years on the employment of children and young persons in factories have done some-

* For further information on this subject, see the Treatise on the Circumstances which determine the Rate of Wages, and the Condition of the Labouring Classes, by the author of this work.

thing, by making them of less value to their parents, to arrest the progress of population; and it is to be regretted that they were not enacted at an earlier period. But considering the extent to which the manufacturing system has attained, the immense number of persons depending upon it for support, and the competition to which we are exposed, any further interference with it is pregnant with danger, and requires the greatest caution and deliberation. It is impossible at this moment to cast the horoscope of this system, to foresee its revolutions, or to estimate its future influence over society. We confess, however, that our anticipations are not of the most agreeable kind. It appears to be, of its essence, that most sorts of employments should be conducted on a large and continually increasing scale, in great establishments, with the assistance of improved and expensive machinery, under the superintendence of a comparatively small number of overlookers, providing, in this way, for the exaltation of a few individuals by the irremediable helotism of the great majority.* And this conclusion would seem to be consistent not only with the nature of manufacturing industry, but with the unsatisfactory state of the working classes. At present, indeed, the latter are probably better fed, and they certainly are better clothed and better lodged than at any former period. But people do not estimate their condition by

* "La concentration de certaines productions dans un petit nombre de grands établissements entraine des maux bien supérieurs aux avantages qu'elle peut offrir, même lorsque ces avantages profitent aux consommateurs. En réservant toutes les chances d'accroissement de fortune, tous les profits que peuvent donner des opérations à un petit nombre des familles, elle tend à accroître rapidement l'inégalité des conditions, elle interdit à une multitude de familles d'ouvriers la possibilité de s'élever, elle les maintient dans un état d'infériorité et de dépendance qu'elle tend à perpétuer, et cette situation inspire aux classes laborieuses un mécontentement d'autant plus vif, que leurs besoins sont plus développés et qu'elles sont plus éclairées. C'est là, peut-être, le plus grave des inconvénients attachés à la liberté industrielle, et le seul qui puisse donner quelque valeur aux plaintes dont elle est l'objet." — Clement, Recherches sur les Causes de l'Indigence, p. 154.; one of the most valuable and best reasoned works on the subject of which it treats.

the absolute amount of necessaries and conveniences at their disposal, but by contrasting themselves with others. And there can be no manner of doubt that the labouring classes have not profited to anything like the same extent as the middle and upper classes, whose condition has been vastly improved, by the wonderful inventions and discoveries of the last half century. Compared with the latter the labourers may be truly said to have retrograded. And in the great manufacturing towns the contrast between the wealth and luxury of the few, and the indigence and privations of the multitude, is too painfully apparent not to strike every one. This result has, no doubt, been, in part at least, occasioned by the Irish immigration, the growing dependence on the potatoe, and other accidental circumstances. And there may be, and we trust there are, principles at work, of which we cannot at present trace the operation, sufficient to countervail what would seem to be the injurious influence peculiar to a highly advanced state of manufactures. But, whether for good or for evil, we are too deeply engaged in them to think seriously of checking their progress. It is obvious, too, that if we interfere with the mode in which they are carried on, we must do so in an empirical manner; and having no experience of the means by which the injurious consequences with which we are threatened may be averted, or those of an opposite tendency be secured, our interference will, to say the least, be as likely to produce mischief as anything else. It is, however, the obvious duty of government, when opportunities occur, to open additional markets for our manufactured goods, and to lighten the public burdens, by suppressing prohibitory regulations, and repealing or modifying injudicious or unfairly assessed taxes. But when it has done this much, it had better pause. And how unphilosophical soever it may seem, the safest course will then probably be to fold our arms, and leave the *dénouement* to time and Providence.

Taxes of so much a-head, or poll-taxes, upon the labourers employed in the cultivation of the ground were formerly

common all over Europe. When they are payable to the landlord, as is now the case in Russia, Hungary, and some other countries, they are to be viewed as the rents of the possessions held by the contributors; but when they are paid, as has been the case in France, England, and Holland, to government, they are really taxes on wages. The latter description of poll-taxes have seldom been very productive, and have uniformly been submitted to with great reluctance. They seem to have been first imposed in England in the reign of Edward III.; and their augmentation, in the early part of the reign of his grandson, Richard II., was the principal cause of the discontent and irritation that broke out in the famous rebellion headed by Wat Tyler. Poll-taxes proportioned to the rank and station of the individuals were afterwards imposed in the reigns of Henry VIII, Charles I. and II., and, lastly, in that of William III., when, however, they were finally abolished.

It is unnecessary to dwell at any length on the policy of these taxes. When confined to the labouring classes, they are, to all intents and purposes, taxes on wages. And when they are made to include every description of persons, and are varied, according to their rank and station, they partake of the nature of an income-tax. It is obvious, however, that such taxes must always be extremely unequal, and therefore extremely objectionable. Two individuals may be of the same rank, and may fill the same station, while the income of the one may be five or ten times greater than that of the other. Surely, however, it is unnecessary to say that nothing could be more unjust, or contrary to sound principle, than to impose an equal direct tax on these persons. A man's rank or station is no test of his income. But, as it is the only test that can be resorted to in the imposition of a graduated poll-tax, it results that it cannot be fairly assessed, and consequently that it should not be adopted.

The *taxe personnelle*, or poll-tax, existing at present in France, consists of the value of three days' labour due by all individuals of both sexes in the enjoyment of civil rights, and not classed as paupers. The principal sum to be paid is fixed

by the council general of each department, under the condition that it shall not be under 50 c. a day, nor above 1 fr. 50 c.; but this principal may be indefinitely augmented by the imposition of additional centimes.

Having thus endeavoured to trace and exhibit the effects that would result from the imposition of taxes separately affecting rent, profits, and wages, we shall now proceed briefly to inquire into the effects that would result from the imposition of taxes proportioned to the property and income of individuals. The influence of indirect taxes on wages, or of taxes on the articles consumed by the labourer, will be inquired into in a subsequent chapter.

CHAPTER IV.

TAXES ON PROPERTY AND INCOME.

A GOOD many of the statements made, and principles laid down, in the previous chapters, apply directly, and others indirectly, to taxes on property and income. But, besides the importance of the latter as sources of public revenue, the mode of their assessment, and their probable influence as compared with other taxes, involve so many considerations and questions so delicate, that it seems necessary to submit them to a separate and somewhat detailed examination.

Whatever difficulties may occur in estimating the incidence and practical operation of taxes on property and income, there can, at all events, be no question in regard to the principle on which they should be imposed. It is agreed on all hands that they should be made to square with the first of Dr. Smith's general maxims, or be assessed so that they may fall on different individuals "*in proportion to their respective abilities*, or *in proportion to the revenue which they respectively enjoy*

under the protection of the state." Thus far everything is obvious; but when we propose acting on this principle, sundry difficulties present themselves. Shall we take the properties of different individuals as evidences of their ability to bear taxes, and assess property only? Shall we estimate the value of different sorts of property by the same standard, and subject the owner of a capital of 1000*l.* to the same rate of taxation as the owner of a capital of 10,000*l.* or 100,000*l.*? Or, supposing income to be assessed, we have then to inquire whether the incomes of professional men should be as heavily taxed as those of landlords and capitalists? and whether the same proportional charge should be made on incomes of 100*l.* or 500*l.* a year, as on those of 1000*l.* or 5000*l.*? These are not questions of easy solution; and yet they must be disposed of one way or other before we can correctly appreciate the influence of taxes on property and income.

If the choice lay only between a tax on property and a tax on income, we incline to think that the latter should be preferred. It will be immediately seen that it is all but impossible to ascertain incomes with any thing like accuracy, or to tax them fairly after they have been ascertained. But whatever errors may be made in estimating and assessing income would be at least equalled, and probably exceeded, by those that would be made were it attempted to estimate and assess property. Let any one fancy himself appointed to value the property of some one of his neighbours engaged in agriculture, or in any branch of trade or manufacture, and a very little reflection will satisfy him that the task is one of no common difficulty. Suppose, for example, that it were required to estimate the stock of an individual engaged in farming: in this case, the property to be valued is mostly all obvious, and it might be supposed that there would be little difficulty in the matter; and yet, in point of fact, the difficulties would be next to insuperable. In the first place, no two individuals would form the same estimate of the value of any article; and, in the second place, how are they to decide as to what is to be deemed stock, and what not? Is all that

is upon the farm in the month of March or the month of August to be deemed stock, and subjected to taxation? and if not, what deductions are to be made, at each period, to arrive at the true amount of stock or farming capital employed? Suppose that a field has been recently limed, marled, or otherwise manured, at a heavy expense,—is the worth of this improvement to be taken into account in estimating the farmer's stock? And if this question be answered (as we think it should be) in the affirmative, how is the value of those manures to be ascertained that have been recently ploughed down and incorporated with the soil? But, supposing the other difficulties to be got over, how are the assessors to deal with the debts that the proprietor or occupier may be under? It is clear they should be deducted from the supposed amount of his capital, and that he should not be obliged to pay duty on what really belongs to another. Although, however, it does not well seem how this concession could be refused, it is easy to see that by making it a wide door would be opened for fraud and evasion; and that it would be no easy matter to distinguish between real and fictitious debts. Were an attempt made to calculate the stock of any individual engaged in trade, the difficulties would be much greater. It is to no purpose to refer to books; for, were they used for such an object, it would be the easiest thing in the world to construct them so that they should yield no information, or such only as was false and misleading. In fact, it would be found that, in nine instances out of ten, except in the cases of funded property, money lent on mortgage, and a few others, nothing better than the declarations of the parties concerned could be obtained. And we look upon every system of taxation as radically vicious that sets the interest and the duty of individuals at variance—that tempts them to balance between the sacrifice of property and the commission of perjury.

But, admitting that it were possible, which it really is not, to form a tolerably fair estimate of the property of individuals, its adoption as a standard by which to determine the amount of taxation would be singularly inexpedient. It is necessary

to look as well at the practical operation as at the apparent justice of a principle. On a superficial view, nothing seems fairer, supposing the properties of individuals were known, than to tax them proportionally; and yet few things would, in reality, be more unfair and mischievous.

The productiveness of property is an important element in measuring the ability of its owners to bear taxes. A. has a farm, a house, or a shop, let to a substantial tenant who pays his rent punctually. B. has a property of the same kind and of the same value, but it happens to be let to a bad tenant, unable to pay any rent. In like manner, one shipowner has a ship at sea, making a profitable voyage, while that of another is in port unemployed. The furnaces of one iron-master are in-blast, while those of others are out-of-blast: and so in fifty other instances. And such being the case, could anything be more unfair—more completely at variance with the principle of proportioning taxes to the ability of the contributors—than to subject parties placed under such different circumstances to the same rate of taxation? If we would avoid injustice, the productiveness as well as the amount of the property belonging to individuals must be taken into account in subjecting them to taxes. Taken by itself, property, is no accurate test of the capacity to bear taxation. That depends quite as much on income as on property; and to leave the former out of view in assessing taxes of this description would be like leaving the influence of currents or of contrary winds out of view in estimating the course of a ship.

Besides being unfair, taxes on property have sundry practical consequences of the most mischievous kind. If a tax be laid on income it creates an inducement to conceal its amount; but it does not tempt any one to employ inferior instruments or processes in carrying on his employment. This, however, is the inevitable effect of taxes on property. They create a motive to elude their pressure, by underrating its amount, or employing it in some underhand manner. Those engaged in industrious occupations are tempted to carry them on with the least amount of capital. An indisposition is generated to make fresh outlays on works or improvements,

seeing that it will be taken as an evidence of increased wealth, and will consequently expose the parties to additional taxation. The object, under such circumstances, is not to appear rich, but to appear poor; and the reality too often corresponds with the appearance. We have already seen that this was one of the worst consequences of the taille in France. And such, in a greater or less degree, is the effect of all taxes proportioned to the capital or property of individuals. Had a tax of this sort, of any considerable amount, existed during the last half century in England, there is no probability that the progress either of manufactures or agriculture would have been half so great as it has been.

In the Roman empire all sorts of property, whether consisting of land or movables, were estimated with the greatest care, and subjected to taxation. Individuals were obliged to make oath to the accuracy of their returns; and those who were detected in making false returns, or in attempting to evade the tax by concealing or underrating their property, were punished capitally and had their estates confiscated. The results were such as might have been anticipated. There was a constant struggle between fraud and perjury on the one side, and oppression on the other. Entire provinces were ruined. And the emperors sought to derive some merit from remitting tributes which their subjects were utterly incapable of paying, but which, had they been properly assessed, they might have paid without difficulty.*

Much, however, of the practical influence of taxes on property depends on their magnitude. They may, like arsenic, be safe if administered in extremely small doses. A tax of 1 or 2 per cent., for example, imposed on the stock of a farmer or manufacturer, might not be sufficient to tempt him either to underrate its amount, or to counterfeit poverty by employing inferior instruments; whereas a duty of 5, 10, or 15 per cent. might have these effects in a strongly marked degree. Nothing, in truth, can be a greater mistake than to suppose that fraud and the evasion of duties are confined to the customs and excise.

* Dureau de la Malle, Economie Politique des Romains, ii. 422. &c. Gibbon, cap. 17.

They are practised with infinitely greater facility, and exist to a far greater extent, in taxes on property and income than in any other fiscal department. The moderation of the duties imposed for local purposes on property in the United States, is the only thing that makes their assessment be submitted to, and hinders the abuses with which they are infected from becoming intolerable.*

Hence it appears that it is only in certain cases — and those probably not the majority — that the magnitude of their property affords anything like a true criterion of the ability of individuals to bear taxes. And, though it were in all cases sufficient to go by, the preceding statements show that it is next to impossible to determine its magnitude; and that it would be most unwise, supposing it were determined, to adopt it as a standard of taxation. The impossibility of ascertaining its amount renders taxes proportioned to the property of individuals about the most unequal that can be imagined; while from their pernicious influence over industry, and the stimulus they give to fraud, they become, when not confined within the narrowest limits, a fruitful source of poverty and dissatisfaction.

Probably, however, it will be said that we mistake the views of those who propose that a tax should be laid on property; that it is not meant that it should be universal, or that property engaged in industrious undertakings should be subjected to its operation; but that it should be assessed only on what is called realised property, that is, on lands, houses, the public funds, mortgages, and such-like securities; and that, when so restricted, the tax would not have the effects previously ascribed to it. But, though this be partly true, we contend that the limitation of the tax in the way now stated would be most unjust; and that its operation, if so

* Pennsylvania, one of the richest states in the Union, with 2,314,897 inhabitants, had in 1850 a revenue of 4,438,131 dollars. Of this sum the "tax on real and personal estates" produced only 1,317,822 dollars, or 263,000*l.*, being less than half the produce of the moderate duty laid in this country on coffee!

limited, would be still more disastrous than if it were extended to all sorts of property. There is no foundation for the notion that land is held by those only who have withdrawn from active life; it is often purchased as a means of investing capital, and cultivated only with a view to profit.

Suppose two individuals have each 5,000*l.*, and that one of them vests his money in land, the other in a ship. Could anything be more unjust than to tax the property of the former, and allow that of the latter to escape? Would this be making them contribute to the wants of the state "in proportion to the revenues they respectively enjoy under its protection?" It has been said, in vindication of this inequality, that the properties are of a different description; that the land will last for ever, whereas the ship will be speedily worn out. But, though this be true, it is also true that, while the land will not yield more, probably, than 200*l.* a year to its owner, the ship will, at an average, produce 500*l.* or 600*l.* a year or more; and by accumulating the surplus a sum will be provided sufficient to replace the ship when she is worn out. Insurance effectually provides against all risk of loss by accident, so much so, that the capital vested in a ship or a cotton-mill may be rendered substantially as secure as if it were vested in land.

Great misconception prevails among the majority of the manufacturing, mercantile, and moneyed classes, with respect to the situation and circumstances of the owners of land. The possessors of large estates are but few in number. Inasmuch, however, as they fill high stations and stand prominently forward, they engross the attention of the careless observer, and prevent him fixing his eye on the mass of obscure petty landowners who make up the great bulk of the class. The land belonging to opulent proprietors bears, in fact, no sort of proportion to that which belongs to persons of middling and small fortune. Nothing can be a greater mistake than to suppose, as is generally done, that the landowners are an extremely opulent and an extremely indolent body. These may be the characteristics of a few individuals amongst them; but it would be quite as wide of the mark to affirm that they

are generally applicable to the entire class as that they are universally applicable to the classes of manufacturers and traders. We have made some inquiries upon this point, and we are convinced that, if the landlords of England and the master manufacturers be compared together, the latter will be found, speaking generally, to be the richer, but hardly the more industrious, of the two. In the majority of English counties property is subdivided to a far greater extent than is commonly supposed; and there are few that lead a more laborious life, or are more under the necessity of abstaining from luxurious indulgences, than the owners and occupiers of small landed properties.* At this moment the entire landed rental of England and Wales may be taken at about forty-two millions. Now, as this has to be divided among, at least, 200,000 proprietors, it gives to each an average income of about 210*l.* a year. And seeing that a few have much more, it follows that many must have a great deal less. However little conversant with national statistics, those acquainted with the situation of the "statesmen," or small landed proprietors, of Cumberland and Westmoreland; the yeomen of many of the midland and southern counties; the copartners of Lincolnshire, &c., will have little difficulty in admitting what has now been stated. In extensive districts of Lincoln the smaller class of properties vary from 1 to 50 acres. Arthur Young, in his survey of that county, says that the proprietors of these petty estates are very happy; adding, however, that he was told "they work like negroes, and do not live so well as the inhabitants of the poor-houses."†

We are very far from insinuating that this should be considered as anything like a fair representation of the general condition of the smaller class of proprietors in England. But there are few classes to whom industry and self-denial are more indispensable. Indolence or extravagance would speedily sink them to the condition of labourers. It is only, indeed,

* Land is not nearly so much subdivided in Scotland, but even there t is much parcelled in some districts.

† Survey of Lincoln, 2d edit., p. 20.

by persevering exertion and economy that they preserve their place in society and bring up their families.

But though the landlords were generally as rich and luxurious as is imagined, or at least represented by demagogues on the hustings and in manufacturing towns, the plan for laying exclusive taxes on their property is too grossly partial and unfair to entitle it to much attention. When, however, instead of being rich, the great majority of landlords are either poor or in but very indifferent circumstances, the iniquity of the proposal becomes still more glaring. To suppose that it should be established by law would be a libel on Parliament; and to suppose that such a law, if enacted, would be submitted to, would be a libel on the people of England. Many of our richest merchants, bankers, manufacturers, ship-owners, traders, &c., do not possess a single acre of land, and some of them have little or no funded property. And is it to be endured that the property of such persons should enjoy a total exemption from that direct taxation which is to fall with its full weight on the individual struggling to support himself and his family on some 5, 10, 50, or 100 acres of land? Surely those who imagine that, if attempted, such enormous injustice would be tolerated, mistake altogether the character and feelings of Englishmen.

It is a still greater mistake to suppose that funded property is principally held by the *fruges consumere nati*, or by those who take no active share in industrious pursuits. The very opposite supposition would be a good deal nearer the truth. Every one, we believe, will allow that those engaged in the businesses of banking and insurance have a fair claim to be ranked amongst the industrious classes; and yet the capitals of bankers and of insurance companies are principally vested in the funds; so that a tax on the latter would really be a tax on the property of some of the most useful and industrious classes of the community. It should also be kept in mind that a large amount of funded property is held by those who have had capital thrown on their hands which they have not been able to employ in any active pursuit, and which they have vested in the mean time in the funds for the sake

of the interest. A tax on the funds would tempt many such persons to keep their capital idle at their banker's or in their strong-box; it would do an injury to the industrious classes, without securing any corresponding advantage to the state.

But this is not all. Those who are so very fond of indulging in declamatory invectives against the fundholders, and who endeavour to prejudice them in the public estimation by representing them as "leviathans of wealth," either know nothing of the matter or speculate upon the ignorance of their readers or hearers. The truth is, that the great majority of fundholders, like the majority of landholders, are persons of very slender means. The facility of vesting small sums in the funds, and the circumstance of none of the London banks having, till very recently, allowed interest on the balances in their hands, have occasioned an immense influx of small depositors to the funds. The official statement for 1848 shows that the total number of parties entitled to receive dividends at the Bank of England in that year amounted to 284,127. Of these no fewer than 96,415 were entitled to sums under, and not exceeding, 5*l.*; 44,937 to sums under, and not exceeding, 10*l.*; 96,025 to sums under, and not exceeding, 50*l.*; 13,882 to sums under, and not exceeding, 200*l.*; and only 177 to sums of above 2,000*l.* It will be observed, too, that the dividends due to the Equitable and other insurance companies, to the Banks of England, Scotland, and Ireland, and to a great number of other associations, are all paid upon single warrants, as if they were due to so many private individuals; whereas they are really paid to the managers of the institutions in question, merely because they act as agents or trustees for a vast number of other persons to whom they are distributed.

It is idle, therefore, to talk about taxing the funds in order to get at "the overgrown fortunes of the moneyed class." At best this is but a robber's pretext. But the statements now made show that a tax on the funds would fall principally on the lower and middle classes. It would, without materially abridging the comforts of the rich, aggravate in no ordinary

degree the difficulties of the industrious part of the community; and unless the tax were extended to every other description of property, it would be an undisguised breach of the public faith.

But suppose that we are wrong in the previous statements; that all the lands, funds, and mortgages of the empire are held by rich individuals not engaged in business; and that they may be, not unjustly, burdened with an exclusive tax,—its imposition would, notwithstanding, be most unwise. What object have industrious persons in view? what is it which inspires them with courage to undertake, and resolution to overcome, the most irksome and laborious tasks? The hope that they may be able to realise a fortune in land, funds, or mortgages! And were the state, in its fancied wisdom, to enact that these sorts of property should be exclusively loaded with a heavy direct tax, it is clear that either the process of accumulation would be effectually checked, or, which perhaps is the most probable result, the accumulations, when made, would be carried to foreign countries, where taxes were imposed on some less partial and oppressive principle. It is useless to inquire which of these consequences would be most injurious. It is sufficient to know that either would be ruinous. If we are to have a property-tax, it must be made to affect all who possess property. It is not easy, indeed, to exaggerate the mischievous consequences of such a tax; but they would certainly be very inferior to those that must follow any attempt to assess it exclusively on the property of particular classes.

A tax on income is free from some of the inconveniences now pointed out; but many are inherent in it that should forbid its adoption, except under very peculiar circumstances, or when most other available sources of revenue are exhausted or closed. From a variety of causes, which, as they will readily occur to every one, it is needless to specify, property or capital, though engaged in industrious undertakings, may not yield, perhaps, for a lengthened period, any return to the proprietor. While this untoward state of things con-

tinues, a tax on income would not affect its possessors; their capital would continue unimpaired; and when the peculiar circumstances that rendered it unproductive were obviated, it would yield as large a revenue as ever to its owners, and consequently furnish as large a tax to the state. A tax on property would operate very differently, and would, as already seen, affect capital, whether it were productive of profits or not. Hence the stock of all individuals, when it happened either to be employed unproductively, or not employed at all, would be diminished by a tax on property. This equal, or rather most unequal tax, would frequently fall where no tax ought ever to fall—on capital, without giving the contributors any opportunity of defraying it out of revenue. It would not be very far from being as often proportioned to the disability as to the ability of those on whom it was laid.

A tax on income is free from this inconvenience. Those who have no income, or who have their capital so employed that it affords no profits, escape the tax.* In this respect, therefore, it has an advantage over a tax on property; but in other respects it is nearly as objectionable as the latter.

It is true that an income-tax is, at first sight, apparently the fairest of all taxes. It seems to make every one contribute to the wants of the state in proportion to the revenue which he enjoys under its protection; while, by falling equally on all, it occasions no change in the distribution of capital, or in the natural direction of industry, and has no influence over prices. It were much to be wished that any tax could be imposed having such effects; but we are sorry to have to state that none such has hitherto been discovered; and that those who expect they will be realised by an income-tax

* We have stated, conformably to the maxim, *ex nihilo nihil fit*, what would appear to be the plain, common-sense view of a tax on income, viz., that before a party can be subjected to it, he must have an income to tax. But it seemed from the case of the Messrs. Fielden referred to in the former edition of this work, that this was not necessary, and that parties without incomes might be subjected to the tax. This anomaly resulted from the Messrs. Fielden obstinately refusing to show, in the manner prescribed by the act, that their profits were *nil*.

will be wholly disappointed. It would, no doubt, have the supposed effects, could it be fairly assessed. But the practical difficulties in the way of its fair assessment are not of a sort that can be overcome. And the truth is, that taxes on income, though theoretically equal, are in their practical operation most unequal and vexatious.

The difficulties in the way of assessing income are of two sorts: 1st, the difficulty of ascertaining the incomes of different individuals; and 2nd, supposing their amount to be known, the difficulty of laying an equal tax on incomes derived from different sources.

1. It would be useless to dwell at any considerable length on the first of these heads. Incomes arising from the rent of land and houses, mortgages, funded property, public salaries, and such-like sources, may be learned with tolerable precision; but it neither has been, and, we are bold to say, never will be, possible to determine the incomes of farmers, manufacturers, dealers of all sorts, and professional men, with anything like even a rude approximation to accuracy.

Most persons have the greatest dislike to the payment of direct taxes. And though occasionally a few individuals be found who, either from a wish to be thought richer than they really are, or from a desire to quiet the suspicions of their creditors, return their incomes beyond their real amount, the vast majority endeavour to conceal and underrate them. The strength of the motive to such concealment depends, of course, like the motive to conceal property, on the amount of the tax; and those who might willingly make a *boná fide* disclosure of their incomes, did it amount to only 3, 4, or 5 per cent., might take every possible means to conceal them did the tax amount to 10, 12, or 15 per cent. But, how low soever the rate of duty, a great many individuals will always endeavour to evade or elude its pressure. And it is next to impossible to defeat the machinations of such persons by instituting an examination into their affairs. In very many cases such examination can lead to no satisfactory results; and the commissioners employed to assess the tax must either

accept the returns sent by those parties whose revenues are not derived from visible and easily appreciated sources, when verified by their oath, or they must be authorised to assess them according to their own notions of what is right and proper. If the former criterion be adopted, everything is made to depend on the honour of the parties, so that the tax will then fall with its full weight upon men of integrity, while the *millionnaire* of "easy virtue" may well-nigh escape it altogether. Hence it may be truly said to be a tax on honesty and a bounty on perjury and fraud. And were it carried to any considerable height, or to 10, 12, or 15 per cent., it would undoubtedly generate the most barefaced prostitution of principle, and would do much to sap that nice sense of honour which is the only sure foundation of national probity and virtue.

But whatever may be the consequences of making the amount of the assessment depend on the oath of the contributors, the fair presumption is that they will be still worse when it is left to the discretion of the commissioners to fix its amount. Even when most inclined to do what is right, they cannot fail frequently to do that which is wrong; and while a wide door is opened for the exercise of favouritism and preferences, their most upright decisions may be denounced and ascribed to the basest motives. It is in fact impossible, do what you will, to assess large classes of incomes with any considerable fairness. The parties will not disclose them, and it is not in the power of any one else to learn their amount.

To be aware of the all but insuperable difficulties that have to be encountered in attempting to learn the real incomes of individuals, one has only to look into the clauses in the Act 5 & 6 Victoria, cap. 35., imposing the present income-tax, which refer to the assessing of incomes derived from trades and professions, and to those relating to appeals. They are framed to meet, in as far as practicable, every case, and give the commissioners the most ample means of ascertaining the incomes of individuals by authorising them to demand papers and answers to written and *vivâ voce* questions, which the parties may be called upon to verify on oath,

to examine witnesses, &c. And yet, notwithstanding these investigations and the moderation of the tax, everybody knows that evasion and concealment are extensively practised; and that, while some are taxed to the full amount of their incomes, or perhaps even more, the greater number, being either less honest or more fortunate in their appeals, succeed in evading a portion of the duty.

2. But supposing it were possible (which it plainly is not) to get over this fundamental objection, and that means were devised for easily ascertaining the incomes of different individuals with something like precision, we should have made but a very small progress towards the fair assessment of the tax. On one point, indeed, there can be no difficulty. Property-taxes should undoubtedly be laid on all sorts of property, and income-taxes on all sorts of income. But the question immediately occurs, whether should the tax be of the same magnitude on all sorts of income? And if this question be answered in the negative, we have next to inquire into the principle on which distinctions should be made.

Those who say that an income-tax should be laid equally on all incomes, from whatever source derived, contend that the hardship of such a proceeding is not real, but apparent. The incomes of lawyers, physicians, clergymen, and other professional men, must, they affirm, always bear a certain relation to the incomes of the landlords, manufacturers, and other classes; but if the former were not taxed to the same extent as the latter, this relation would be subverted; the condition of professional men would be relatively improved; and it is alleged that, under such circumstances, there would be a greater influx of entrants into professional businesses, whose competition would depress the incomes of those engaged in them, so as to place them once more in their natural position with respect to landlords, capitalists, &c., on whom the full weight of the tax is supposed to fall. On this ground it is contended that the tax should be made to press equally on all incomes, and that there is no injustice in making the same deduction from the fees of a lawyer or physician that is made

from the rent of a landlord or the profit of a capitalist; for, supposing the former were partially or wholly exempted from the tax, he would be as much injured by the greater competition that would grow out of such exemption as by being subjected to its full amount.

But, though in some degree true, these statements are in the main fallacious. Professional fees, when once fixed, are not easily altered. Notwithstanding the heavy fall of prices and profits since the peace of 1815, the fees of professional men have not materially varied; nor did they vary materially during the previous period of depreciation. We doubt whether the imposition of a peculiar tax, of a moderate amount, on professional incomes, or their total exemption from a tax laid on incomes arising from other sources, would have any sensible influence over fees. If it were very heavy, it might, and most probably would, in the long run, affect them to a greater or less extent; but its operation could not be in any case immediate; and unless the tax exceeded all reasonable bounds, there is but little ground for thinking that it would very materially affect them.

But suppose it were really true that professional incomes vary at the same time and in the same degree as other incomes, this would not justify the laying the same tax on them all. A landlord receives 500*l.* a year of rent, and an attorney or an apothecary makes 500*l.* a year by his business. But though the income of each be at present the same, their ability to pay taxes is materially different; for the income of the first arises from a comparatively lasting source, whereas that of the latter is dependent on his life and on his health. And hence, in order to lay the same burden on both parties, we should calculate the *present value* of the income enjoyed by each, and lay the same tax on it; or, which would come to the same thing, we should deduct from the income of the professional man such a portion as would effect an insurance on his life for a sum equivalent to the present value of his income, and assess the tax on the remainder. This is the only way in which, supposing incomes to be known, it is possible fairly to tax them. It would, however, be extremely difficult to

proceed in this way. To illustrate the principle: suppose that a clergyman, A, forty years of age, has an income of 1000*l.* a year, and that it is required to decide how much he should contribute to a tax of 10 per cent. on all incomes considered as perpetuities. Here we are met at the very outset by the difficulty of deciding by what standard we should estimate A's expectation of life. If we take the Northampton table, we shall obtain a certain result, if we take the Carlisle table we shall have another, and if we take Mr. Finlaison's table we shall have a third result, all differing considerably from each other. But suppose that the Carlisle table is selected, A's expectation will be 27·61 years. Having got thus far, we have next to decide upon the rate of interest at which the present value of A's annuity or income is to be estimated. Everybody knows that the answer to the question which we are endeavouring to solve depends materially on the assumed rate of interest; and there would be endless disputes respecting the rate that should be fixed upon. In the event, however, of 4 per cent. being selected, the present value of A's income would be 16,500*l.* yielding a perpetual revenue of 660*l.*; so that he should contribute 66*l.* to the tax.

This is the way in which taxes on income should be assessed, if they are to be imposed with any pretentions to fairness. It may be objected, perhaps, that the fundamental supposition on which the income is valued and the tax imposed, viz. that A, being at present forty years of age, will live other twenty-seven years and a half is quite gratuitous; that it is merely an average rule deduced from observations made on a large number of individuals; and that, for anything we can affirm to the contrary, A may die to-morrow. But all this may be admitted without impeaching the principle laid down above; for the difference between A's actual income of 1000*l.* and the corresponding perennial income of 660*l.*, that is, 340*l.*, will, if accumulated for twenty-seven years and a half, at 4 per cent., produce 16,500*l.*, and an insurance office would transact with A on this footing, or on one not very different.

These statements show how taxes on professional incomes

should be imposed, if it were meant to render the tax really equal. And they also show how very difficult, or rather how impossible, it would be, fairly to assess such incomes, even if there were any means of learning their amount with anything like precision. It is to no purpose to talk about establishing uniform rates of deduction. Unless wholesale injustice is to be perpetrated, uniformity in cases of this sort must be rejected. Each must be judged of separately. The income of two lawyers may be the same, but, if their ages, or their health differ, they cannot be fairly taxed to the same extent; nor, when interest is 4 per cent., should the tax be the same as when it is 3 or 5 per cent.

It was proposed during the discussions respecting the present income-tax to charge incomes derived from annuities in the public funds proportionally to the duration of such annuities; and, abstractly considered, nothing could be fairer than this proposal, inasmuch as it is palpably unjust to lay the same rate of duty on an income that will terminate in five or ten years, or at the death of the party, as on one that will last for fifty or sixty years, or is perpetual. But, had this proposal been entertained, the principle must have been carried infinitely farther. Professional men should, in so far as this tax is concerned, be regarded as holders of life annuities; and this also is clearly the case with clergymen, officers in the army and navy, clerks of all descriptions, whether in public or private offices, widows with annuities, owners of entailed estates, and a host of others. Although, therefore, it be unjust to lay the same rate of duty on a terminable as on an interminable funded income, it would be still more unjust to make abatements in favour of one class of annuitants and not of others. Hence it would seem that parliament did right in rejecting the proposal now alluded to. It was felt that practically it would be impossible fairly to carry out the principle which it embodied; and that it was better to make all who were placed under similar circumstances suffer alike, than to make concessions in favour of a single class which had no better right to them than the others.

It has sometimes, though but rarely, been contended that

the previous reasonings involve a fallacy, and that there is really no injustice in subjecting life incomes or terminable annuities to the same duty that is laid on perennial incomes; that a perpetual income being perpetually liable to the tax, whereas a terminable income pays it only so long as it exists, both are treated alike, and there is no injustice in either case. But those who have thus argued appear to have forgotten that an annuity and an annuitant are not exactly the same thing, and that the justice or injustice of a tax depends on the mode in which it affects those who pay it, and not on the abstract fact of its being assessed in a particular way. If it could be shown that the holders of perpetual and terminable incomes stood in exactly the same situation, then, no doubt, it would be right to subject their incomes to the same rate of taxation. But it is needless to say that this neither has been nor can be shown. It is the duty of every man to make some provision for his children or successors. The proprietors of estates, or of perpetual incomes, who either leave them entire, or a portion of them, to their heirs, may be said to have discharged this duty; but the holders of terminable or life incomes cannot discharge it so easily. Their incomes die with themselves or cease at specified periods; so that they have nothing to leave to those who succeed them unless it be the savings they may have made from their incomes, or the insurances they have effected. It is plain that by subjecting these parties to the same rate of duty that is laid on the others, they are incapacitated from discharging the important obligation of providing for their families except by making greater exertions, or a greater comparative sacrifice of their enjoyments; and they are, therefore, entitled to complain of unfair and unjust treatment.

To get rid of the extreme difficulty that would otherwise have to be encountered in assessing an income-tax on the incomes of farmers and other occupiers of lands, tenements, and so forth, it is usual to assume that the farmer's income amounts to some portion or multiple of his rent, and to assess him accordingly. Thus, under the old income-tax, the in-

comes of the tenants of land in England were supposed to amount to three-fourths, and in Scotland to half the rent; and under the existing tax the incomes of the tenants in England are taken at a half, and in Scotland at a third part of the rent. Hence, under the present law, the occupier of a farm rented at 1000*l.* a year is supposed in England to have an income of 500*l.*, and in Scotland of 333*l.* 6*s.* 8*d.* a year, and is taxed on such. We have no doubt that this is, on the whole, the best plan that could be devised for assessing such incomes, and yet it may lead to consequences that seem not a little revolting. Farming, like other businesses, and, indeed, in a still greater degree than many others, is exposed to vicissitudes; and it may be safely laid down that at all times a considerable number of occupiers of land are losing by their business. But the tax makes no exception in favour of such unfortunate cases. It sweeps with undistinguishing severity its equal, or rather most unequal, demands from all; and, Procrustes-like, compels the tenant who has made, and he who has lost, 500*l.* by his farm, to contribute the same sum!*

Owing to the practice of remitting or drawing back the duties laid on commodities consumed at home, when they are sent abroad, absentees get their revenues transmitted to them free from taxation, and consequently avoid contributing their fair share of the public expenditure. Some stress has been laid, but without much reason, on the supposed influence of an income-tax in obviating this inconvenience. Except in so far as absentees escape the taxes which they would have to defray were they resident at home, their absence is immaterial; and, considering the small proportion which the revenues of absentees bear to the revenues of the resident population, there are no grounds for thinking that the burdens of the latter are sensibly increased by the absence of the former. But, when an income-tax of any considerable magnitude is imposed, if it

* This injustice has been, or is to be obviated, by permitting a farmer who has been overtaxed to claim a corresponding deduction. But, on this principle, farmers who are undertaxed should be surcharged. And if so, why make rent a criterion of income? and why not place farmers on the same footing as the other classes?

lessen, on the one hand, the temptations which operate on certain classes to go abroad, it must, on the other hand, act as a new stimulus to the investment of capital in the colonies and in foreign countries, where it may escape the tax and the investigations connected with its assessment. Surely, however, it can hardly be necessary to say that, while the residence abroad of individuals is little if at all injurious, the transferring of capital to other countries is a most serious evil. And any measure which should discourage the former, by stimulating the latter, would be like stopping up the spigot that the bung-hole might be opened.

The best defence of the existing income-tax, and indeed of income-taxes in general, was made by Sir Robert Peel in the debates in 1842. The deficiency in the revenue, which then exceeded 2,000,000*l.* a year, made the imposition of new taxes indispensable. And without attempting to conceal or gloss over the injustice and hardship of the income-tax, he argued, that it was as little open to these objections as any other tax calculated to raise a considerable amount of revenue that could be imposed in its stead; and that, on the whole, the balance of advantage seemed to be in its favour. It is not to be denied that there is much force in these statements. The sacrifice of the house-tax to vulgar clamour, and of the greater part of the post-office revenue to unfounded or exaggerated notions of public convenience, may be said, by occasioning the deficiency in the revenue, to have given birth to the income-tax. It was, also, we admit, no easy matter to point out in 1842, nor would it, indeed, be an easy matter at any time to point out, any tax or taxes fitted to produce four or five millions a year, against which several formidable objections might not be urged. And this difficulty was increased at the period referred to by the fact of the renewal of a tax that has been recently repealed being always a peculiarly ungracious and unpopular proceeding. Perhaps, however, had the house-tax been placed on a right footing, it might have been revived in 1842. Its revival during the present year was effected with little

difficulty; though from the narrow and unfair principle on which it is now assessed, it cannot become, unless it be carried to an oppressive height, a prolific source of income. But supposing the house-tax to be placed on a fair and equitable footing, it would yield, at a reasonable rate, such an amount of duty as would go far to render the retention of the income-tax a matter, in a financial point of view, of little or no importance. Independently, however, of this circumstance, we entirely dissent from the opinion of those who believe, or affect to believe, that we have arrived at or near the limits of indirect taxation. It is impossible, indeed, to define these limits, or to say, *à priori*, when they may be attained. It will be afterwards seen that considerable additions might probably be made to the revenue by modifying some of the existing duties, not only without any increase, but with a diminution of the pressure on the public. Neither can it be doubted that moderate duties might be laid on a great variety of articles that are now imported duty free without any material or sensible injury to any one. Cattle, sheep, pigs, and other live animals, and all sorts of provisions, appear to us to belong to this class. It is to no purpose to allege, in opposition to their being taxed, that they are used as food by the lower classes. The latter have no better right than the classes above them to be exempted from taxes. And if direct taxes be imposed that the food and other articles used by the lower classes may be admitted duty free, these direct taxes should be made to fall on them in the same proportion that they fall on others. Notwithstanding the deference so deservedly due to the authority and opinions of Sir Robert Peel, we cannot help thinking that his leaning in favour of direct taxes, from which the poorer classes were to be exempted, led him to adopt a most objectionable and dangerous principle. Probably, indeed, this is the only part of his policy which it would be wise to abandon. But the sooner it is abandoned the better. He also appears to have greatly overrated the inconveniences attached to duties on expenditure. Though irregular in their incidence, they are neither unfair nor unjust. They are not intended to fall

on all individuals, but on those only who use taxed articles; and then only according to the extent to which they use them, so that it is their own fault if they be over-taxed. But no such excuse can be made for the unequal pressure of taxes on income. The existing income-tax has been imposed on the principle of making all individuals subject to its operation contribute the same portion of their incomes, how different soever the sources whence they may be derived. It, consequently, falls with disproportioned severity on those possessed of perishable incomes. And yet this injustice cannot be obviated without the entire abandonment of the tax; the practical difficulties in the way of its equitable apportionment being altogether insuperable.

Taxes on income are also in other respects exceedingly objectionable. They require a constant interference with, and inquiry into, the affairs of individuals, and in this way, independently of their inequality, keep up a perpetual feeling of irritation. It is further to be observed that while such inquiries can never be made effectual to their object, they are not of a description that are easily justified. What right has the public to know the means or resources of those who make no claim on it for support? Why compel those who strive by rigid economy to make a decent appearance to declare their condition? to expose themselves to the *magnum pauperies opprobrium?* Such inquiries and disclosures must necessarily always be hateful to the parties, and cannot fail to excite their disgust. Luckily, however, the great majority of taxes on expenditure are free from these defects. And we believe we may safely affirm that the excise duties, which produce above fifteen millions a year*, are collected without provoking a tenth part of the irritation and fraud occasioned by the income-tax, though it produce little more than five millions. Even in the case of a house-tax, calculated to produce four or five millions a year, we incline to think that the irritation would be trifling compared with that excited by the income-tax; and, at any rate, it would have comparatively little foundation. The amount of the tax might be

* 15,260,640*l.* nett in 1850.

objected to; but the assessment would be easily made, and, when once made, it would not be subject to perpetual change, nor would it involve any inquiries into the condition or circumstances of the occupiers.

Although, therefore, we admit the inequality of taxes on expenditure, we contend that the worst of them, of which we have any knowledge, would be less objectionable than the most carefully devised income-tax; while the greater facility with which they are assessed, and the greater willingness with which they are paid, should in all ordinary cases give them a preference.

But it is said that the difficulty of taxing the incomes of professional men, and of the classes alluded to above, is a good reason for exempting them wholly from the tax, which should fall only on the incomes of those possessed of real property. We take leave, however, to dissent entirely from this conclusion. The difficulty of assessing the incomes in question may be a sufficient reason for rejecting an income-tax altogether; but it is assuredly no reason for making it partial, and consequently unjust. Professional men, and annuitants of all descriptions, contribute to taxes on commodities. And if these be repealed, and an income-tax, from which professional and other terminable incomes are exempted, be imposed in their stead, an obvious injustice will be done to the other classes, who will be saddled with the whole of a burden of which they have hitherto borne a part only, and which should press equally on all ranks and orders. It is plain, however, in this, as in the previous case, that, were the classes already alluded to exempted from the tax because of the admitted impossibility of fairly assessing their incomes, vast numbers of incomes derived from real property would have equal claims to be exempted, because of their being quite as evanescent as those of clergymen or lawyers, and still more difficult to assess. It is needless to say that no proposal for exempting the owners of cotton, woollen, or flax mills, breweries, distilleries, ships, warehouses, houses, &c., from taxes laid on the property or incomes of landlords,

fundholders, mortgagers, &c., would be tolerated, or could be thought of for a moment. But in fairly assessing the incomes of the owners of ships, mills, and similar property, most of the difficulties would have to be encountered that make the fair taxing of professional incomes so impracticable, with others peculiar to the cases in question. An estate, apart from the buildings and improvements made upon it, may be regarded as a lasting source of revenue; but ships, houses, factories, mills, &c., are all perishable, and, before the latter can be taxed in the same ratio as the former, the *degree of their durability* must be determined, and the income arising from them reduced to a perpetuity. Suppose, for example, that a tax of 10 per cent. is imposed on revenue arising from lands, funds, and mortgages, and that it is required to lay a really equivalent tax on income arising from houses, shops, warehouses, mills, ships, canals, and such-like property. In this case we should have to begin by estimating the gross annual income, which is to be taxed, produced by the shop, mill, ship, or other property. Having done this, we should next have to estimate the probable duration of such property; and then, in order to get the nett or taxable income, we should have to deduct from the gross income such a sum as would suffice, being accumulated at the ordinary interest of the day, to replace the shop, mill, &c., when it is worn out. An income-tax, imposed on fair principles, and made to press with the same severity on all classes, according to their ability to bear it, must be assessed in the way now mentioned. But the difficulties in the way of such a course are obviously insurmountable. There would evidently be great room for doubt, evasion, and fraud in the valuation of the property; and though this were got over, how is its probable duration to be ascertained? The power to determine a point of this sort could not be intrusted to officers; for if so, it would open a door to every sort of abuse. Neither is there any standard to which to refer in estimating durability, seeing that it must vary in every case from a thousand peculiar and almost inappreciable circumstances. Although, therefore, it were conceded that taxes on income are, in principle, the best of any

the above statements are sufficient to show that this circumstance should go for little in the way of recommending them. It is of trifling consequence whether a tax be theoretically good or bad. It is in a practical point of view only that we have to deal with it. And however well it may look in demonstrations on paper, if it be impossible fairly to assess it, it should, unless in peculiar cases, be rejected.

Even as applied to the rent of land, an income-tax is in most instances extremely unfair. Two estates yield the same rent, but one is naturally very inferior to the other — its deficiencies having been compensated by the execution of expensive improvements. Where, then, would be the justice or the policy of laying the same tax on the rental of both estates? A half, or perhaps three-fourths, of the rent of the one consists of the interest of capital laid out on improvements, most part of which are as little durable as either shops or cotton-mills. Hence the hardship of laying the same tax on the rent of an improved as on that of an unimproved estate. And yet, as already seen, we can adopt no other criterion; for all the tax-collectors of the empire, even if they were assisted by as many farmers, would not be able to resolve the rent of an improved farm into its constituent parts; that is, to separate what is really paid for the natural and inherent powers of the soil from what is paid for improvements.

It may further be observed, in illustration of the insurmountable difficulties in the way of fairly assessing an income-tax, that the incomes of capitalists engaged in business, whether they be agriculturists, manufacturers, or merchants, are derived from two distinct sources; one being the return to or profit on the capital they employ, and the other a compensation for their personal superintendence, skill, and industry. The former portion of their income, or that which is a return to the capital employed, may be looked upon as perennial; but the other portion, or the return for superintendence, &c., is plainly only a life income, and comes under precisely the same category with the incomes of professional

men. And hence, if we would fairly assess the incomes of parties engaged in industrious undertakings, we must resolve them into their constituent portions, and deal with the one as with a perpetual, and with the other as with a terminable annuity. But it is needless to add that no such distinction can be made. An agriculturist or manufacturer makes a certain sum in one year, and a certain sum in another; but it is quite impossible either for him or for any one else to say how much of this is due to his sagacity and skill in the conduct of his business. And hence the impossibility of fairly taxing such incomes. Though derived from widely different sources, they must practically be regarded as originating in one only, and be dealt with accordingly. This is an unjust mode of proceeding; but the evils thence resulting are very inferior to those that would result from attempting to assess the duty on correct principles.

We have thus seen, in the first place, that it is not possible to acquire any accurate information in regard to the magnitude of the incomes enjoyed by some large and important classes; and we have next seen that, though such information were obtained, the sources whence different incomes arise are so very various, and so very different in their degrees of durability, that all attempts to subject them to a really equal tax must prove utterly abortive. The truth is, that such tax is a desideratum which is not destined ever to be supplied. After the legislature has done all that can be done to make it equal, it will be most unequal. To impose it only on certain classes of incomes, or to impose it on all incomes, without regard to their origin, is alike subversive of sound principle. Nothing therefore remains but to reject it, or to resort to it only when money must be had at all hazards; when the ordinary and less exceptionable means of filling the public coffers have been tried and exhausted; and when, as during the late war, Hannibal is knocking at your gates, and national independence must be secured at whatever cost. An unreasoning necessity of this sort is the only satisfactory justification of taxes on property and income.

When, however, the circumstances of a country are either such, or supposed to be such, as to require the imposition of an income-tax, some point must be fixed for its commencement. It should, certainly, were the justice of the case only attended to, be assessed on all incomes whether great or small. But were it imposed on this fair principle, it would really be, in as far as the labouring classes are concerned, a tax on wages; and we have previously seen that there are but few cases in which it would be wise to impose a direct tax on them, or possible to collect it. Admitting, however, that the wages of ordinary labour should be exempted from the tax, the difficulty is to specify the limit where it should begin to take effect, and whether it should be charged indifferently on all incomes from the same point. The old income-tax, as remodelled in 1806, fell with its full weight on all incomes, whatever might be their amount, derived from fixed or funded property. Professional incomes under 50*l.* were, however, exempted from the tax; and when between 50*l.* and 150*l.* they were entitled to certain abatements. Under the existing income-tax the assessment on all sorts of incomes begins at 150*l.* a year. But this limit appears to be much too high, and we see no good reason why it should not be reduced to 50*l.* or, at all events, to 100*l.* a year. At the same time it must be allowed that the present tax is indebted to nothing so much for its comparatively easy working as to the *minimum* taxable income being fixed at 150*l.* This exempts from its operation vast numbers of persons, comprising all those most sensible to its pressure, and least familiar with the methods of getting any over-assessment rectified; and has, in consequence, prevented it from becoming a topic for popular declamation and invective.

But though the limitation of the tax to some point or other, be, in a practical point of view, indispensable, it is not to be denied that the principle which it involves is essentially unjust, and that it may easily be abused and perverted to the worst purposes. The question — where shall the assessment begin? — presents, in fact, one of the most serious difficulties with which income-taxes are encumbered. Any attempt to

tax all incomes, how limited soever, would certainly miscarry; while, if you once begin to make exemptions, it is impossible to say where you ought, or will be permitted, to stop. On what ground are incomes between 50*l.* and 150*l.* to be exempted from the tax? It is quite conceivable that persons with less than 150*l.* a year should be, and in point of fact they not unfrequently are, better able to pay taxes than parties with that or even a greater sum. Neither can any conclusive reason be assigned for fixing upon 150*l.* in preference to 200*l.* or 250*l.* for the commencement of the tax. And when such is the case, is there no risk lest a minister, who may happen to be unpopular with the upper classes, or who may wish to court the applause and conciliate the support of the lower and more numerous portion of society, should be tempted to avail himself of this latitude of selection? and by carrying the principle of exemption to excess, convert the tax into an engine of misgovernment, by employing it to advance his own interests and those of his party, at the expense of the rights and interests of others?

The income exempted from the tax, whatever it may be, should be held to be indispensable for subsistence, for otherwise there can be no pretence for its being exempted. And consistently with this principle it was proposed, during the debates on the tax in 1842, to deduct 150*l.*, the sum assumed in the Act as the minimum of necessary income, from all incomes subject to the tax, and to assess it on the surplus only; so that a person with an income of 160*l.* would, had this proposal been adopted, have been assessed on 10*l.* only, a person with an income of 300*l.* on 150*l.*, and so on. We regret that this equitable proposal was not agreed to. It was, perhaps, the only one of the numerous amendments offered at the time, the adoption of which would have materially improved the Act. No doubt it would have rendered the tax less productive; but to obviate this the point of commencement might have been fixed at a lower limit, or the rate might have been increased a little, or both these measures might have been resorted to. This would have placed all classes on the same footing, and would, in all cases, have

exempted what the statute presumes to be necessary income from the tax.

The difficulty of distinguishing between those who should and those who should not be charged is another inconvenience attending taxes on property and income, unless they be made to fall with their full weight on every one. Thus, under the existing tax, the assessors, having no means of learning whether individuals have 130*l.*, 140*l.*, or 150*l.* a year, must, to make sure that the tax is not evaded by those who should pay it, serve notices on a great number of parties not liable to the assessment, who, in consequence, must either establish the meanness of their circumstances to the satisfaction of the commissioners, or submit to pay the tax! In the case of funded property, the tax on all dividends, whatever their amount, is deducted, it being left to those who are not worth 150*l.* a year to prove the fact before they are entitled to claim restitution of the sum deducted on account of the tax.* This is obviously no small grievance; and every body knows that many persons pay the tax who should be exempted rather than encounter the trouble and expose themselves to the questions they would have to answer in substantiating their claim to be exempted. And yet this, like the other

* The subjoined official return shows the extent to which this grievance operates: —

A Return, showing the Number of Claims of Exemption under the Property Tax Act received at the Tax Office during the year 1850; the Number on which the Duty has been repaid; the Amount of Duty repaid; and the Number of Claims on which Orders have been issued by the Board of Taxes for discharging the Property of the Claimants from Assessment.

	Number of Claims received.	Number of Orders of Repayment issued.	Amount of Duty repaid.	Number of Discharges.
			£ s. d.	
General Claims -	75,992	55,550	64,002 1 11	899 (*a*) / 7,927 (*b*)
Charity Claims -	7,674	2,148	31,194 9 6	842
Total -	83,666	57,698	95,196 11 5	9,668

grievances that grow out of the tax, cannot be obviated. No one doubts the impracticability of assessing a tax of this sort on the poorer classes; some point must be specified where it is to begin; so that the difficulty of distinguishing between those who are and those who are not liable to its operation may be truly said to be inherent in it.

The partial and unjust operation of the present tax may be further exhibited by estimating the number of persons on whom it is assessed. It appears from the Parliamentary Paper No. 27., Sess. 1851, that 194,900 persons were assessed in 1848–49 under schedules D and E; the former comprising manufacturing, commercial, and professional incomes, and the latter incomes arising out of salaries, pensions, &c. But of the parties assessed under these heads 57,985 drew a portion of their incomes, probably a half, from other sources, and were assessed under other heads. And deducting, therefore, a half, or 28,992 individuals, from those otherwise assessed, we have 165,908 for the number of individuals really taxed under the above schedules. And as these schedules produced in the above year 1,877,857*l.*, and the entire tax produced 5,605,532*l.*, it follows, supposing the incomes of those charged in the other schedules to amount to about the same as those in schedules D and E, that the tax had been assessed upon 495,246 individuals.

Inasmuch, however, as the average incomes of the parties assessed under schedules A, B, and C, are known to be considerably higher than those assessed under D and E, there can be no doubt that the above estimate considerably exaggerates the number of contributors to the tax. Probably they do not exceed 400,000, or at most 450,000, if so many. But taking the estimate as it stands, it strikingly illustrates the narrow and partial basis on which the tax is placed. Being assessed on pensions, dividends on the public funds, and on the stock of banks and insurance companies, railways, &c., a large number of the contributors must consist of women and children. But excluding the latter, it is ascertained that at present there are about 10,750,000 adult men and women in Great Britain. And as no fewer than 10,255,000 of these

are exempted from the tax, it must fall on one only out of every twenty-two taxable individuals. Surely, if it is to be continued, its basis should, at all events, be very greatly extended.

It has been contended, by Say and some other economists, that taxes on income should be imposed on a graduated scale, and made to increase according to the increase of the incomes subjected to their operation. And the countenance which has been so frequently and cordially given to proposals for the introduction of property and income taxes by the more dangerous class of politicians has originated in their supposing that they might be made to embrace a plan of graduation. And, though in the last degree objectionable, it is not to be denied that there is something exceedingly plausible in this plan. A tax of 10*l.* is said to be more severely felt by the possessor of an income of 100*l.*, or of a property of that amount, than a tax of 100*l.*, or 1000*l.*, by the possessor of an income or of a property of 1000*l.* or 10,000*l.*; and it is argued that, in order fairly to proportion the tax to the ability of the contributors, such a graduated scale of duty should be adopted as should press lightly on the smaller class of properties and incomes, and increase according as they become larger and more able to bear taxation. We take leave, however, to protest against this proposal, which is not more seductive than it is unjust and dangerous. No tax on income can be a just tax unless it leave individuals in the same relative condition in which it found them. It must of course depress, according to its magnitude, all those on whom it falls; and it should fall on every one in proportion to the revenue which he enjoys under the protection of the state.* If it either pass entirely over some classes, or press on some less heavily than on others, it is unjustly imposed. Government, in such a case, has plainly stepped out of its proper province, and has assessed the tax, not for the legitimate

* That is, of course, supposing all revenues reduced to the same denomination, or to perpetuities.

purpose of appropriating a certain proportion of the revenues of its subjects to the public exigencies, but that it might at the same time regulate the incomes of the contributors; that is, that it might depress one class and elevate another. The toleration of such a principle would necessarily lead to every species of abuse. That equal taxes on property or income are more severely felt by the poorer than by the richer classes is undeniable. But the same is true of every payment which does not subvert the subsisting relations among the different orders of society. The hardship in question is, in truth, a consequence of the inequality of fortunes, and to attempt to alleviate it by adopting a graduated scale of duties would really be to impose taxes on the wealthier part of the community for the benefit of their less opulent brethren, and not for the sake of the public revenue. Let it not be supposed that the principle of graduation may be carried to a certain extent, and then stopped.

Nullus semel ore receptus
Pollutas patitur sanguis mansuescere fauces.

The reasons that made the step be taken in the first instance, backed as they are sure to be by agitation and clamour, will impel you forwards. Having once given way, having said that a man with 500*l.* a year shall pay 5 per cent., another with 1,000*l.* 10 per cent, and another with 2,000*l.* 20 per cent., on what pretence or principle can you stop in your ascending scale? Why not take 50 per cent. from the man of 2,000*l.* a year, and confiscate all the higher class of incomes before you tax the lower? In such matters the maxim of *obsta principiis* should be firmly adhered to by every prudent and honest statesman. Graduation is not an evil to be paltered with. Adopt it and you will effectually paralyse industry and check accumulation; at the same time that every man who has any property will hasten, by carrying it out of the country, to protect it from confiscation. The savages described by Montesquieu, who to get at the fruit cut down the tree, are about as good financiers as the advocates of this sort of taxes. Wherever they are introduced security

is at an end. Even if taxes on income were otherwise the most unexceptionable, the adoption of the principle of graduation would make them about the very worst that could be devised. The moment you abandon, in the framing of such taxes, the cardinal principle of exacting from all individuals the same proportion of their income or of their property, you are at sea without rudder or compass, and there is no amount of injustice and folly you may not commit.

To furnish means for defraying the cost of the war begun in 1793, Mr. Pitt proposed, in 1797, to treble the assessed taxes, or duties on houses, windows, horses, carriages, &c. This plan did not, however, answer the expectations of its projectors, and next year it was abandoned, and a tax on income substituted in its stead. According to the provisions of the act imposing this tax, all incomes of less than 60*l.* a year were exempted from assessment; an income of from 60*l.* to 65*l.* was taxed one *one hundred and twentieth* part; and the rate of duty increased through a variety of gradations, until the income reached 200*l.* or upwards, when it amounted to a *tenth* part, which was its utmost limit; a variety of deductions being at the same time granted, on account of children, &c. The commissioners to whom the assessment of this tax was intrusted were chosen by the freeholders of counties and the electors of boroughs, nearly in the same way as their representatives in parliament, only that a smaller qualification was sufficient to enable any one to be elected a commissioner. The services of the commissioners were gratuitous; and they were sworn to secrecy with respect to the affairs of individuals. They were authorised to call for returns from every person whose income they supposed to exceed 60*l.* a year; and in the event of their being dissatisfied with these returns, they were empowered to call for written explanations, and ultimately for the oath of the party. But this examination was rarely necessary, except in the case of incomes derived from wages, from capital employed in manufacturing and commercial business, or from the interest of loans; the rental of landlords, being, in most cases, learned from the terms of the agreements

with their tenants; while the profits or incomes of the latter were, as already stated, estimated in England at *three-fourths*, and in Scotland at *half* the rent. The commissioners were assisted, or rather overlooked, by the tax-surveyors appointed by government, who were required to see the provisions of the act strictly enforced, and whose duty it was to scrutinise all returns of income, to challenge such as they considered fraudulent, to object to the deductions allowed by the ordinary commissioners, and to bring the matter under the review of the commissioners of appeal, whose sentence was final. Infinite fraud and evasion were practised; and nothing could be more arbitrary than the rule for estimating farmers' incomes. But the exigencies of the country at the time made this and its other defects be little thought of; and, on the whole, the provisions of the act were enforced better than could have been anticipated.

This tax was repealed in 1802, after the peace of Amiens, having produced, at an average, about *five millions and a half* annually.

In 1803 the income-tax, under the name of property-tax, was again revived. The assessment began, as before, on incomes as low as 60*l.* a year, and gradually increased until the income reached 150*l.* a year, when it amounted to 5 per cent., which was its highest rate. An addition was made to this tax in 1805; and in 1806, during the short-lived administration of Mr. Fox and Lord Grenville, the assessment was raised to 10 per cent. on all incomes, however small, arising from land or capital. Professional incomes under 50*l.* were exempted from the tax; and incomes of that sort exceeding 50*l.* and under 150*l.*, the limit at which they became subject to the full assessment of 10 per cent., were allowed deductions, varying inversely as their magnitude. This tax was finally repealed in 1816, and would hardly have been submitted to, but for the well-founded conviction that it was indispensable for carrying on the desperate struggle in which we were then engaged.

We subjoin from a parliamentary paper presented to the

House of Commons, in 1823, a return of the total *gross* and *nett* assessments to the property or income tax, for the year ending 5th April, 1815:—

Schedules.	Gross Assessment.	Nett Assessment.
	£	£
A. Lands, Houses (including Shops and Warehouses), Manors, Tithes, Canals, Mines, Ironworks, &c. - -	5,923,486	5,923,189
B. Profits from the Occupancy of Lands, &c.	2,734,451	2,176,228
C. Dividends on Public Annuities, and other Securities - - - -	2,885,505	2,885,505
D. Profits and gains of Trade - -	3,831,088	3,146,332
E. Salaries, Pensions, &c. - - -	1,174,456	1,167,678
Totals - - -	16,548,985	15,298,982

The following is the return of the value of the several species of property on which the assessment was made for the years 1813 and 1814, ending 5th April, 1814 and 1815, viz.—

Schedules.	1813.	1814.
	£	£
A. - - - - - -	56,701,923	60,138,330
B. - - - - - -	36,336,883	38,396,144
D. - - - - - -	36,080,167	38,310,935
E. - - - - - -	11,380,748	11,744,557
C. Not stated, but estimated at - -	30,000,000	30,000,000
Totals - - -	170,499,721	178,589,966

The present Income-Tax Act, the 5 & 6 Victoria, c. 35. (22nd June, 1842), imposes a duty of 7*d.* per pound sterling (2*l.* 18*s.* 4*d.* per cent.) on all incomes, from whatever source derived, of 150*l.* a year and upwards. The schedules in this act comprise the same heads of income as in the former. The incomes or profits of the occupiers of land, &c., are assumed to amount, in England, to a half, and in Scotland to a third, part of the rent; and are assessed on that hypothesis. We subjoin the following official returns in regard to this tax.

A Return showing the Amounts of Property assessed under Schedule A of the Property and Income Tax Act, distinguished under the following Heads, in England and Wales and in Scotland, for the Years commencing the 5th of April 1814 and 1815, 1842, 1845, and 1848.

Heads of Assessment.	England and Wales.			
	1814 and 1815.	1842.	1845.	1848.
	£	£	£	£
Lands - -	34,330,463	40,167,088	41,226,665	42,347,870
Messuages -	14,895,130	35,556,400	36,575,690	38,822,453
Tithes - -	2,732,689	1,960,331	804,034	505,466
Manors - -	71,673	152,217	197,320	163,867
Fines - -	206,731	319,141	302,533	284,366
Quarries -	49,502	207,009	220,852	290,108
Mines - -	616,203	1,903,794	2,005,968	2,174,229
Iron Works -	- - -	412,022	556,772	738,278
Fisheries -	- - -	11,105	12,000	15,412
Canals - -	- - -	1,229,202	1,212,026	1,106,545
Railways -	- - -	2,417,610	3,774,516	5,790,386
Gas Works -	- - -	Included in "Other Property"	573,031	648,898
Other Property	574,727	1,466,815	1,039,769	1,522,802
General Profits	18,257	- - -	223,076	127,792
Total Assessed	53,495,375	85,802,734	88,724,252	94,538,472

Heads of Assessment.	Scotland.			
	1814 and 1815.	1842.	1845.	1848.
	£	£	£	£
Lands - -	5,075,242	5,586,528	5,509,014	5,634,351
Messuages -	1,364,270	2,919,339	2,960,630	3,492,587
Tithes - -	209	—	—	—
Manors - -	—	—	—	—
Fines - -	9,815	902	14,222	5,628
Quarries -	20,876	33,474	41,647	42,874
Mines - -	62,584	177,593	207,425	260,039
Iron Works -	- - -	147,413	365,869	261,114
Fisheries -	- - -	47,810	33,005	44,166
Canals - -	- - -	77,891	49,372	66,769
Railways -	- - -	181,333	232,184	549,801
Gas Works -	- - -	- - -	65,798	61,522
Other Property	62,960	309,480	255,380	295,572
General Profits	46,999	—	—	—
Total Assessed	6,642,955	9,481,763	9,734,546	10,714,423

The great diminution in Tithes is owing to the Tithe Commutation Act. Under the Old Property Tax Act, Tithes were required to be returned for assessment by the tithe-owners; they are now, when commuted into a rent-charge, included in the annual value of the lands, pursuant to rule No. 4, sec. A. of the Act 5 & 6 Vict. cap. 35.

A Return showing the Amount of Property assessed under Schedule B of the Property and Income Tax Act for the Years ending the 5th of April 1814, 1842, 1845, and 1848.

	1814.	1842.	1845.	1848.
	£	£	£	£
England and Wales	36,260,565	41,558,550	41,661,575	42,529,913
Scotland - -	4,367,489	5,211,365	5,509,014	5,634,351

A Return showing the Amount of Property Assessed under Schedules C, D, and E, of the Property and Income Tax Act, for the Years ending 5th April, 1815, 1843, 1844, 1845, 1846, 1847, 1848, 1849, and 1850.

Years.	England and Wales.			Scotland.		
	Schedule C.	Schedule D.	Schedule E.	Schedule C.	Schedule D.	Schedule E.
	£.	£.	£.	£.	£.	£.
1814-15	30,048,619	34,287,685	14,142,573	- -	2,771,304	681,210
1842-43	27,909,793	63,021,904	9,417,463	- -	8,308,440	300,991 *
1843-44	27,340,052	56,627,161	10,992,253	- -	8,401,479	289,991 *
1844-45	26,501,078	55,505,733	10,780,478	- -	9,589,458	291,454 *
1845-46	25,585,579	60,888,094	10,993,631	Nil	9,404,028	460,374
1846-47	26,005,019	60,867,494	11,235,798	- -	9,709,019	487,667
1847-48	26,132,625	60,068,090	11,408,627	- -	10,123,540	517,914
1848-49	26,446,891	56,701,896	11,740,518	- -	10,359,289	548,840
1849-50	26,310,970	54,977,566	11,127,444	- -	9,956,066	555,734

* In these years, in several instances, the profits of office in Scotland were assessed to Schedule D instead of Schedule E.

A Return showing the Nett Amount of Duty collected under each separate Schedule of the Property Tax, for the following Years, ending each on the 5th of April.

Years.	Schedule A.	Schedule B.	Schedule C.	Schedule D.	Schedule E.	Total Collection.
	£	£	£	£	£	£
1842–43	2,419,329	323,481	812,982	1,625,344	276,905	5,458,041
1843–44	2,397,825	318,216	795,702	1,541,758	325,427	5,378,928
1844–45	2,428,002	316,161	767,895	1,543,233	317,186	5,372,477
1845–46	2,528,721	324,339	744,019	1,678,595	327,769	5,603,443
1846-47	2,550,584	317,144	739,630	1,733,396	334,824	5,675,578
1847–48	2,557,793	309,390	744,273	1,685,977	340,769	5,638,702
1848–49	2,656,796	320,098	750,781	1,529,398	348,459	5,605,532
1849–50	2,652,951	316,940	744,925	1,529,611	334,473	5,578,900

Of the total amount of property assessed to the tax, the portion charged under Schedules C and E, amounting to

37,994,148*l.*, consisting principally of dividends on the public debt and of salaries and pensions to public servants, is of quite a different character from the other portions, and is not to be regarded in the same point of view. It is not an original or independent, but a secondary or derivative income, and consists, in fact, of a portion of the income of others transferred to the holders by means of taxation. We shall endeavour, in a subsequent part of this work, fully to clear up this important distinction; and we only mention it now to prevent an erroneous estimate being formed from these returns of the magnitude of the national income.

PART II.

INDIRECT TAXES.

CHAPTER I.

ADVANTAGES AND DISADVANTAGES OF DIRECT AND INDIRECT TAXES.

Though most governments have had recourse to direct taxes, they have rarely, at least in Europe, formed the sole or even principal source of the public revenue. Indirect taxes have with few exceptions been the greatest favourites both of princes and subjects; and there are very sufficient reasons for the preference of which they have so generally been the object. The burden of direct taxation is palpable and obvious. It admits of no disguise or concealment, but makes every one fully sensible of the exact amount of the demand made upon him by government. We are all, however, extremely averse from parting with property, except we obtain some more acceptable equivalent in its stead. And the benefits derived from the institution of government, though of the highest importance, being neither so very obvious nor striking as to be readily felt and appreciated by the bulk of the people, there is, in the great majority of cases, a strong disinclination to the payment of direct taxes. For this reason governments have generally had recourse to those that are indirect. Instead of exciting the prejudices of their subjects by openly demanding a portion of their incomes, they have taxed the articles on which these incomes are usually expended. This ingenious plan, while it conceals the amount of taxation, makes its payment in some measure voluntary. The tax being generally paid, in the first instance, by the producers,

the purchasers confound it with the natural price of the commodity. No separate demand being made upon them for the tax, it escapes their recollection; and the article which they receive seems the fair equivalent of the sacrifice made in acquiring it.* Or if the tax should be so heavy as to add materially to the price of the article, they either wholly abstain from using it, or use a less quantity. Such taxes have also the advantage of being paid by degrees, in small portions, at the time when the commodities are wanted for consumption, or when it is most convenient for the contributors to pay them.

The facility with which indirect taxes may be imposed, and their peculiar influence in promoting industry, have been set in a striking light by the Marquis Garnier. "L'habitude," says he, "qu'ont les hommes de voir dans l'argent la représentation de toutes les choses qui servent au soutien ou à l'agrément de la vie, leur fait naturellement contracter une extréme répugnance à se défaire de l'argent qu'ils possédent, à moins qu'il ne s'agisse de pourvoir à un besoin, ou de se procurer une jouissance. On dépense avec plaisir, mais il faut un effort pour payer une dette; et celle qui coûte le plus à acquitter, parce que la valeur recue en echange est moins aperçue et moins sensible pour tout le monde, c'est l'impôt. En attachant l'impôt à la chose consommable, en le confondant dans le prix de celle-ci, en faisant que la paiement de la dette et la jouissance soient un seul et même acte, on fait en quelque sorte participer l'impôt à l'attrait que porte

* "Les droits sur les marchandises sont ceux que les peuples sentent le moins parce qu'on ne leur fait pas une demande formelle. Ils peuvent être si sagement ménagés, que le peuple ignora presque qu'il les paie. Pour cela il est d'une grande conséquence que ce soit celui qui vend la marchandise, qui paie le droit. Il sçait qu'il ne paie pas pour lui; et l'acheteur, qui dans le fond le paie le confond avec le prix." (Montesquieu, Esprit des Loix, liv. xiii. cap. 7.)

Nero was supposed to have abolished the duty of 4 per cent. on the slaves sold in Rome, when he really did no more than order it to be paid by the seller instead of the buyer. "Remissum," says Tacitus, "specie magis quam vi; quia cum venditor pendere jubercetur, in partem pretii emptoribus accrescebat." (Annal., lib. xiii. cap. 32.)

avec soi la consommation, et l'on fait naître dans l'esprit du consommateur le desir d'acquitter l'impôt. C'est au milieu de la profusion des repas que se paient les taxes sur le vin, la bière, la sucre, le sel, et les articles de ce genre, et le trésor publique trouve un source de gain dans les provocations à la depense qui sont excitées par l'abandon et la gaîté des fêtes.

" Un autre avantage de même nature en faveur de l'impôt indirect ou de consommation, c'est son extrême divisibilité, et la facilité donnée au contribuable de s'acquitter jour par jour et même d'une minute à l'autre. L'artisan qui soupe d'une partie du salaire de sa journée, satisfait quelquefois en un quart d'heure, a quatre ou cinq paiemens divers de l'impôt.

" Dans la perception directe l'impôt se montre sans nul déguisement; il vient sans être attendu, à cause de l'imprévoyance si ordinaire au commun des hommes, et il apporte toujours avec lui de la gêne et du découragement. Mais l'impôt indirect, en ajoutant successivement un surcroît de prix aux articles de consommation générale et journalière, au moment où tous les membres de la société ont contracté l'habitude de ses consommations, rend ses divers articles un peu plus coûteux à acquérir; c'est-à-dire, qu'il donne lieu à ce qu'il faille, pour se les procurer, un surcroît proportionné de travail et d'industrie. Or, si cet impôt est mesuré de manière à ne pas aller jusques à décourager la consommation, ne semble-t-il pas, dans ce cas, agir comme un stimulant universel sur la partie active et industrieuse de la société, qui l'excite à un redoublement d'efforts, pour n'être pas obligé de renoncer à des jouissances que l'habitude lui a rendues presque nécessaires, et qui, en conséquence, donne un plus grand développement aux facultés productives du travail et aux ressources de l'industrie? Ne doit-il pas en résulter, qu'après l'impôt il y a la même somme de travail et d'industrie qu'auparavant pour fournir aux besoins et aux jouissances habituelles des hommes qui composent la classe laborieuse, plus la somme de travail et d'industrie qui a dû pourvoir au surcroît de prix destiné à l'impôt? Or, cet impôt, ou ce surcroît de produit que se paye, étant dépensé par le gouvernement qui le recueille, sert à alimenter une nouvelle classe des consom-

mateurs, qui forment des demandes que l'impôt les met à portée de payer."*

The truth of the greater part of this statement cannot be disputed. But it must always be kept in mind that the powerful influence of indirect taxes, in stimulating industry, depends on the circumstance of their not being so high as to give any serious check to consumption. They must be such that the producers and consumers of the articles on which they are laid may be able to defray them by a moderate increase of exertion and economy. Were this not the case, they would have an opposite effect, and, instead of acting as incentives to production, would occasion its decline.

A moderate tax on income, provided it could be fairly and universally assessed, would probably have nearly the same effect in promoting economy as moderate taxes on expenditure. But the latter have an infinitely greater effect in promoting industry, invention, and enterprise, than the best contrived income-tax. Suppose that the price of an article in extensive demand is 5*s*., and that it is burdened with a duty of 1*s*. or of 20 per cent. The producers know that, if they raise the price of the article to 6*s*., the demand for it, and, of course, also their business, will be very materially contracted. They, therefore, have a new and powerful motive to task their invention to discover improved and cheaper methods of producing the article, so that the operation of the tax may be (as it very frequently is) neutralised or defeated.

It is perhaps unnecessary to add anything to what has been previously stated (pp. 9, 10, &c.) in illustration of this principle; but it is so strikingly exemplified in the case of the farmers and occupiers of land, that we may, perhaps, be excused for again shortly adverting to it. In so far as respects the parties now referred to, the rent they have to pay may be looked upon as a tax, and it is well known to practical men that of the various causes of improvement, none is more powerful than an increase of rent. Arthur Young states, over and over again, that he never knew an instance

* Préface à la Traduction de la Richesse des Nations, t. i. p. 66., éd. 2de.

of good cultivation associated with low rents. And he says that, when he heard gentlemen boasting that they never raised their rents, he thought it would have been more to the point had they boasted that their tenants were without industry, and their lands not half cultivated!

It is unnecessary, however, to travel beyond the limits of financial history for examples of the powerful influence of taxes in stimulating ingenuity and invention. Previously to 1786 the duties on spirits distilled in Scotland were charged according to the quantities supposed to be actually produced. But as this mode of assessing the duty was found to open a door to extensive frauds, it was resolved to substitute in its stead a licence-duty proportioned to the size of the still used by the distiller. Stills being all of the same shape, and the quantity of spirits that each could produce in a year according to its cubic contents having been accurately calculated, it was supposed that this plan would effectually prevent smuggling, and that the officers would have nothing to do but to inspect the stills that had been licensed, to prevent their size being increased.* On the first introduction of this apparently well-considered system, the licence-duty on each still was fixed at the rate of 30*s.* per gallon of its contents. The principle, however, on which the duty was assessed was very soon subverted. The stills in use down to this period were very deep in proportion to their diameter, so that after being charged they required at an average about a week before the process of distillation was completed. But the new mode of charging the duty had no sooner been introduced, than it occurred to two ingenious persons, Messrs. John and William Sligo, distillers, Leith, that by lessening the depth of the still and increasing its diameter, a larger surface would be exposed to the action of the fire, and they would be enabled to run off its contents in considerably less time. Having adopted this plan, they found that it answered their expectations, and

* See an able tract entitled "Resolutions of the Landed Interest of Scotland respecting the Distillery, with Reasons why the Duty on Spirits should be levied by an Annual Licence-Duty on the Still." By Sir John Dalrymple, Bart. Edinburgh, 1786.

that they were able to distil the same quantity of spirits in a few hours that had previously occupied a week. Messrs. Sligo kept this important invention secret for about a year; but it was too valuable to be long concealed; and the moment it transpired the plan was adopted by other distillers. In consequence Government raised, in 1788, the licence-duty on the still from 30*s.* to 3*l.* a gallon. This increase having redoubled the activity of the distillers, the duty was raised in 1793 to 9*l.* a gallon, in 1795 to 18*l.*, and in 1797 it was carried to the enormous sum of 54*l.* a gallon. Still, however, the ingenuity of the distiller outran the increase of the tax; and it was proved, before a Committee of the House of Commons in 1798, that distillation had been carried to such perfection, that stills had occasionally been filled and discharged once every *eight* minutes! This, it was supposed, must be the maximum of velocity, and a new licence-duty was laid on the still on the hypothesis that it could, at an average, be run off in that time, or that it could be filled and emptied once every eight minutes during the season. But the ingenuity of the distillers was not yet tasked to the highest. And it was ascertained that, towards the latter end of the licence-system, stills of forty gallons had been, at an average, filled and run off in the almost incredibly short space of *three* minutes, being an increase of 2880 times on the rapidity of distillation that had obtained when the licence-system was introduced in 1786!

Now, it will not be alleged, at least with any appearance of probability, that had a duty of 5 or 10 per cent. been laid on their income or capital, Messrs. Sligo would have been half so likely to make this important discovery. But being assessed on the still, the duty had the double effect of fixing attention specially on it, and of operating as a powerful incentive to its improvement.

The same principle holds in the case of duties laid on commodities imported from abroad. All the energies of the merchant are immediately employed to discover new markets, or means of importing the goods at cheaper rates, so that the operation of the duty may in as far as possible be defeated by

a reduction in the cost of the articles on which it is laid. In the spur thus given to invention and economy we find the explanation of what Garnier calls the most surprising phenomenon of Political Economy, "*l'accroissement rapide et prodigieux de la richesse chez les nations les plus chargées d'impôts sur les articles de la consommation générale.*"

But, notwithstanding the facility with which they may be imposed, and their influence (while confined within reasonable limits) in stimulating industry and economy, it must not be supposed that taxes on commodities or on expenditure are, in all respects, unobjectionable. It may be said of taxes as of poems,—

> Whoe'er expects a faultless tax to see
> Expects what neither is, nor was, nor e'er shall be.

The disadvantages incident to this class of duties have, however, been much exaggerated. It is alleged, for example, that they alter the natural distribution of capital and industry, and force them into less advantageous channels, because, as already seen, when a tax is laid on any description of commodities, the producers, unless they can otherwise neutralise its influence, raise their prices by diminishing the supply of taxed articles in the market, and employing a portion of their capital in some more profitable business. But, if at all sensible, this disturbing action is experienced only when a duty is first imposed; for capital being distributed, after a short while, so as to suit the new state of things, the influence of the duty is, in this respect, at an end. It is not, however, by any means a necessary consequence that the prices of articles on which a duty has been laid will be raised proportionally to its amount, or, indeed, that they will be raised at all, and in the latter case the distribution of capital will not be affected. Provided the duty be not oppressive, its influence in exciting those engaged in the production of the taxed articles to new efforts of industry and economy may enable them to sell the commodities at their old price, or at one but little higher. And supposing it were otherwise, and that

prices were raised proportionally to the tax, the effect would be confined to the home market, inasmuch as the granting of an equivalent drawback, or the remitting of the duties on the articles when exported, hinders the foreign market from being affected by the tax.

Duties on commodities being usually paid by the producers before they are sold to the consumers, they not only, it is said, increase prices by their amount, but also by the amount of the profits of the various parties by whom they have been advanced. But though this circumstance undoubtedly operates to increase prices, its influence has been excessively overrated by Mr. Richardson, Say, Sismondi, and others. The latter has calculated that a tax of 4000 francs, paid originally by a manufacturer whose profits were 10 per cent., would, if the manufactured commodity passed through the hands of only five different persons before reaching the consumer, cost the latter 6734 francs. This calculation proceeds on the supposition that he who first advances the tax receives from the next manufacturer 4400 francs, and he, again, from the next 4840 francs; so that at each step 10 per cent. is added to its value. "But this," as Mr. Ricardo has justly observed, "is to suppose that the value of the tax would be accumulating at *compound* interest; not at the rate of 10 per cent. per annum, but at an absolute rate of 10 per cent. at every step of it progress. M. Sismondi's statement would be correct, if five years elapsed between the first advance of the tax and the sale of the taxed commodity to the consumer; but if one year only elapsed, a remuneration of 400 francs, instead of 2734, would give a profit at the rate of 10 per cent. per annum to all who had contributed to the advance of the tax, whether the commodity had passed through the hands of five manufacturers or fifty."*

It is admitted that high duties on commodities encourage smuggling. "They tempt persons to violate the laws of their country, who are frequently incapable of violating those of natural justice, and who would have been in every respect excellent citizens, had not the laws of their country made

* Principles, &c., 3d edit., p. 459.

that a crime which nature never meant to be so."* Their collection requires, in consequence, the employment of numerous officers; and the producers of the taxed articles, being exposed to considerable inconvenience from domiciliary visits, indemnify themselves by adding to the price of their goods. But this, after all, cannot be said to be a legitimate consequence of duties being laid on commodities. It results from their abuse, or from their being carried to an improper extent. When confined within reasonable limits, the temptation which they create to engage in smuggling is easily obviated. It will be afterwards shown that duties so restricted are uniformly more productive than those which are carried to such a height as to hold out any great encouragement to illegitimate practices. And it is further to be kept in mind, that fraud and evasion are not peculiar to the dealers in articles charged with customs and excise duties. On the contrary, we have seen that they are practised with incomparably greater facility, and to an incomparably greater extent, by the parties subject to duties on property and income. The latter demoralise and contaminate all ranks and orders of the community, whereas the former affect those only who produce or sell over-taxed articles.

It is said that duties on commodities do not always fall on individuals in proportion to their means of paying them; and that, while they press severely on persons with large families, or who occupy prominent stations, they may be almost wholly avoided by rich misers and those in obscure stations. But though not proportioned to the means of the parties, nor intended to be so, they are imposed on a fair principle, and involve no injustice. Their payment is to a considerable extent voluntary. And the fact that they sometimes press but lightly on those who might best afford them is of very little importance. Such persons will, in consequence, accumulate more and more capital, which being directly or indirectly employed in industrious undertakings, will most

* Wealth of Nations, p. 378.

likely afford those engaged in them additional means of consuming. But whether this be so or not is immaterial. Two generations of misers do not often follow in succession; and the probability is, that the more liberal expenditure of those who are to come will fully compensate for the parsimony of their fathers.* In matters of this sort, practical considerations are entitled to the utmost regard. The perfect equality of taxation is impossible. All attempts to assess individuals in proportion to their incomes must necessarily miscarry; and will probably be, in the end, productive of more evil than good. Nothing, therefore, remains but to adopt the best practicable taxes, and these, for the reasons already stated, appear to be duties on commodities or on expenditure. Those who abstain from spirits, sugar, and wine, will, of course, escape the duties laid on them. But those who use these articles have no good right to complain of this, seeing that they may also, by being as self-denying as the others, exempt themselves from the duties.

It is sometimes said that direct taxes are preferable to those that are indirect, because the latter fall principally on the lower and poorer portion of the community. It may be doubted, however, whether this be a true statement. A duty on gin, tobacco, beer, or other article consumed by the inferior classes, produces a greater amount of revenue than a duty on carriages, horses, French wines, livery servants, or such-like articles, used principally by the rich. This, however, is not, as already seen, a consequence of the duties pressing more heavily on the lower classes, but of their immense preponderance in point of numbers.† No fair conclusion can,

* Who sees pale Mammon pine amidst his store,
Sees but a backward steward for the poor;
This year, a reservoir, to keep and spare;
The next, a fountain, spouting through his heir,
In lavish streams to quench a country's thirst,
And men and dogs shall drink him till they burst.
POPE, *Epistle III., on the Use of Riches.*

† See *ante*, p. 19.

in truth, be drawn in regard to the influence of taxation over different classes by merely looking at the gross sums which they respectively contribute to the revenue.

Independently, too, of these considerations, it has been shown, in treating of taxes on wages (and the same thing will be more fully established in the following chapter), that taxes on the necessaries consumed by the labourers most commonly bring about, in the end, a corresponding rise of wages, and either fall on their employers or are defrayed by an increase of industry and economy. There are cases, no doubt, in which such taxes may diminish the comforts of the labourers; and, speaking generally, they should be resorted to with much caution, and be confined within reasonable limits.

It may further be observed, that industry and frugality are, like everything similar, always proportioned to the strength of the motives which lead to their practice. Hence if you repeal all, or the greater number, of the taxes on the commodities used by the bulk of the population, and thereby improve their condition, you at the same time weaken the motives that impel them to be industrious and thrifty. And though at first the effect of the change would probably be next to imperceptible, it would gradually, as new generations came into the field, become greater and greater; till in the end it would most likely be found that the lower classes had gained nothing by the remission of the duties save an increased disposition to, and facilities for, waste and idleness. Duties on expenditure are carried to the greatest height in Holland and England. And every one knows that their labourers are more industrious and better off than those of any other old settled countries.*

It is contradictory to suppose that the condition of the population can be improved by the mere substitution of direct for indirect taxes. A fair and equitably assessed direct tax, whether on property or income, must fall equally on every man according to the amount of his property or income. If the tax be limited so as to fall on those only who have con-

* See Hume's Essay on Taxes, *passim*.

siderable properties or considerable incomes, it is in so far perverted from its legitimate object, and is rendered unjust and oppressive. And yet we apprehend that here at least direct taxes are beginning to be looked upon as synonymous with taxes laid exclusively or principally on the wealthier classes; and that whatever popularity they may enjoy amongst us is to be ascribed to this circumstance. But all classes, the less as well as the more opulent, participate equally in the benefits resulting from the institutions, the security, and the national independence, for the maintenance of which taxes are imposed. On what pretence, then, is any class to be excused from contributing to them? It is absurd to say that A should be exempted from taxation because he is not so rich as B; for, if you admit such exemption in the case of A, how can you refuse it in the case of B who is less opulent than C, or of C who is less opulent than D, and so on? All that individuals can fairly claim is, that they shall be taxed in exact proportion to their means whether these be great or small. The amount of the latter concerns themselves only; and is a matter indifferent to government, which is bound to treat all its subjects alike without regard to their wealth or social position. You cannot diverge from this rule, either to the one side or the other, without being entangled in endless difficulties and contradictions. In matters of this sort, whatever is a favour to one, is necessarily an injustice to some one else quite as deserving, and as well entitled to protection. The existing income and house taxes supply instances of this. Being assessed only on the incomes and houses of the wealthier classes, they have far more of the character of measures intended to confiscate a portion of the property of the latter for the benefit of the exempted classes, than of equitable contributions to the wants of the public. The oppressiveness of a system of this sort depends, of course, on the magnitude of the exclusive or peculiar burden falling on the overtaxed party. But, how small soever, the principle which it involves is radically vicious. And the presumption is, should such partial taxes be continued, that they will be gradually, and perhaps not very slowly, extended, till the mischiefs of which they will

not fail to be productive have made their *felo de se* character manifest to every one.

At present the great majority of the electors of the U. Kingdom are exempted from the income-tax and the house-tax. And it is needless to dwell on the inexpediency in every point of view, of those in whom the power of taxation is vested, being permitted to relieve themselves from burdens which they may impose at pleasure on others. It will be extraordinary, indeed, if they do not abuse so unconstitutional a power. It does not appear to be consistent with the well-being, and hardly, perhaps, with the permanence, of any society, more especially of one in which the gradations of fortune are so various and extensive as in England.*

Those most disinclined to be reckoned in the class of Mammon-worshippers must acknowledge that riches are, in ninety-nine out of every hundred instances, the result of superior industry, enterprise, and frugality; of the exercise, in short, of the peculiar virtues which all wise governments endeavour to diffuse and encourage. And being so, their possessors might, could equality ever for a moment be lost sight of in such matters, not very unreasonably claim some concession in their favour. But, though no pretension of this sort can be admitted, their merits are not to be made a ground of offence; and they are entitled to, at least, the same treatment, and to be placed, in a public point of view, on the same footing as others. While, therefore, it is right and proper that they should bear their fair share of the public burdens, it is as impolitic as it is unjust to call on them to bear more than their share. It is truly, indeed, alleged that practically it is impossible to subject all incomes to an income-tax. But while its limitation renders it partial and oppressive, it cannot be fairly assessed even on the higher classes of incomes. It should, therefore, be unconditionally abolished. Resting, as it does, upon the most unsound and dangerous principles, its existence is the greatest blot in our economical policy. Its defects become the more obvious when

* This point has been ably enforced in some late articles in "The Times."

contrasted with duties on commodities, or on expenditure, which may be fairly assessed and easily collected; and which, when confined within moderate limits, promote industry and frugality; and generally occasion the production of a greater amount of wealth than is sufficient for their discharge.

It is only in countries in a comparatively low state of civilisation that any very considerable amount of revenue is raised by direct taxes. There too they are usually assessed on land and houses, or other fixed property. There is, indeed, little else on which they can be assessed. But in countries advanced in manufactures and trade, they cannot be so limited. It is indispensable that they should be laid equally on those who have, whatever may be their source, equal means. And as this is found to be practically impossible, they have generally been rejected in such countries, or resorted to only to a very limited extent, or under some peculiar necessity.

But though all the objections to an income or property tax, on the ground of inequality and unfairness, could be satisfactorily disposed of, there does not seem to be any real ground for supposing that the condition of the labouring classes would be sensibly improved by repealing the taxes on the commodities they make use of, to replace them by an equivalent tax on the property or income of the wealthier classes. Suppose, for example, that the taxes on tea, sugar, and soap, producing above ten millions a year, are repealed, to be replaced by a tax on property or income. In this case we believe it may be safely affirmed that fully two-thirds of the indirect taxes now referred to are paid by parties who would not be affected by a property or income-tax, commencing at the same point as the existing income-tax. And, taking this for granted, it follows that the present tax would have to be about trebled, and that 6,660,000*l.* would be added, in the event of the supposed commutation taking place, to the taxes falling at present upon the upper classes, whose means of employing labour, or of buying its produce, would, of course, be diminished in a corresponding degree.

Whatever, therefore, the labourers might gain on the one hand by such a measure as this, they would most probably lose about as much on the other. Their interests are in this respect identical with those of their masters; and it is a contradiction to suppose that you can improve their condition by repealing the taxes which fall on them, to lay them directly on their employers. If 100*l.* or 1,000*l.* a year be added to the taxes falling on a capitalist, is not his demand for labour, or for the produce of labour, directly or indirectly lessened to that extent?

But the influence of such a measure would not be negative only. The collateral and indirect effect of so great an addition to the taxes falling on the property and income of the wealthier classes would be extremely disastrous. The existing temptations to evasion, perjury, and fraud would be more than trebled. The security of property would be invaded. And additional force would be given to the motives which induce people to reside abroad. Capital has already a strong tendency to leave this country, to seek more profitable investments in the colonies and among foreigners. And this tendency would be vastly increased by so great an addition being made to the taxes falling directly on the upper classes. As they could no longer hope to elude or mitigate the pressure of the burdens laid on them by abstaining from the use of taxed articles, and might at any time be exposed to still greater injustice, they would be tempted to withdraw themselves and their property to some other quarter.

It has occasionally been objected to indirect taxes, or at least to customs duties, that they are inconsistent with the great principle of free trade. But there is hardly even a plausible, much less a real foundation, for this statement. When equal and moderate duties are laid on commodities, without respect to the countries whence or the channels through which they come to us, the trade in them is quite as free as it would be were the duties repealed. Suppose that the existing duty of 1*s.* a quarter on foreign wheat were increased to 5*s.* or 7*s.* a quarter, that would not render the trade less free

than it is at this moment. Such increase would, under certain circumstances, lessen importation, but that would be all. Freedom is not absolute but relative, and consists in the absence of whatever is partial, oppressive, or unjust. Trade is quite as free when there are duties on imports and exports as when there are none, provided these duties be moderate, press equally on all parties, and involve no preferences. The fair and free competition of horses in a race is not affected by their being all made to carry the same weight. And every body knows that there is the same keen and close competition in the trades subjected to excise duties that there is in those that are duty free; and that a moderate increase in the cost of an article, whether occasioned by a tax or any thing else, uniformly serves to stimulate the exertions of its producers. This objection is, therefore, quite untenable, and was hardly, perhaps, worth notice. If not put forward as mere clap-trap it could only originate in an entire misconception of what is meant by the freedom of trade.

It has been sometimes said, by those who are hostile to indirect taxes, that they are too easily augmented, and that the probability is, had the revenue been principally raised by direct taxes, it would not have attained to anything like its present magnitude. Facility of imposition is not, however, a defect, but one of the principal recommendations of a tax. If taxation has been carried to an undue extent, the excess must be sought for in something else than this; in the prejudices, pride, and warlike propensities of the public, and in the errors and misconduct of successive governments. When a great national effort has, whether wisely or not, been determined upon, the question is, in what way may the necessary funds be raised with the least injury to the public? It will be afterwards shown that, notwithstanding the various drawbacks incident to direct taxation, it should have been employed to a decidedly greater extent during the American war and the late French war; not, however, that it might have been substituted for indirect taxation, but that it might

have co-operated with the latter; so that the necessity of resorting to heavy loans, and of funding so great an amount of debt, might have been partly or wholly obviated. The waste, extravagance, and mismanagement that may be found in the conduct of public affairs are beside the question. The produce of the best tax, or description of taxes, may, like most other things, be misapplied or employed to advance improper purposes. That, however, is no reason why it should not be preferred to others. It is conceivable that a military force may be employed to establish tyranny at home; but would it be prudent, because of the bare possibility of such a contingency, to disband the army, and to trust for protection against internal faction or foreign aggression, to the ill-combined efforts of an undisciplined rabble? No wise or just government will ever raise by indirect taxes, or in any other way, a shilling more than is necessary for the public security and well-being; but the greater the facility with which this necessary supply may be raised the better.

CHAPTER II.

TAXES ON NECESSARIES AND LUXURIES.

The influence of taxes on necessaries, or on the articles which custom renders it discreditable for the lowest classes of people to be without, differs in some important respects from that of taxes on luxuries, or on the articles which are not essential, or supposed to be essential, to subsistence. Both descriptions of taxes have, however, many things in common; and it frequently, or rather perhaps uniformly, happens that taxes on luxuries affect the consumption of necessaries and conversely.

It has been shown that when a duty is laid on a particular commodity, its price, in the event of no corresponding facility being at the same time given to its production, sustains an

equal rise; for, otherwise, the profits of its producers would sink below the common level, and their business would be abandoned. But the ultimate incidence of the tax depends on various circumstances. Taxes on necessaries consumed by the more opulent classes are defrayed by them. But taxes on necessaries consumed by labourers have, in most instances, nearly the same influence as taxes on wages. And we have seen that generally these taxes, though advanced in the first instance by the labourers, are not really paid by them; but occasion a rise in the rate of wages, and are thus, in fact, paid wholly or in part by their employers.

If a tax be laid on any article forming a part of the food and clothes used by the labourer, its effect will depend partly on its magnitude, and partly on the condition of the labouring class at the time. Supposing it were only of a trifling amount and that wages were high, its effect would hardly be perceptible; whereas were it heavy, wages low, and employment scarce, the result would be different. Under such circumstances, the tax could hardly fail to impose, in the first instance at least, considerable privations on the labourers, resulting in an increase of economy and of exertion. But the economy might not be displayed in the use of the taxed article, but in that of one or more of the other articles used by the labourer. A tax, for example, on bread, or butchers' meat, or shoes, might not decrease the consumption of the article on which it was laid, but of some less necessary article, as tea, sugar, tobacco, or spirits, or it might partly affect the latter, and partly the former class of articles. And if a moderate increase of exertion sufficed to defray the tax, it might have no influence over consumption; so that it is always impossible, in so complicated a system, to say beforehand how any tax will operate. But if it should really occasion any considerable decrease of consumption, it would most probably give, at the same time, a check to population; and might thus, in the end, bring about a rise of wages.

Neither is it possible to say *à priori* how a tax on a luxury used by the poor will operate. Suppose an increased duty were laid on tobacco and gin. The presumption is that the

consumption of these articles would be lessened. But it would not be lessened to the extent that may probably be anticipated. Those who use these articles may exert themselves a little more, and they use other things as well as them. The probability, therefore, is that industry would be somewhat stimulated; and that more economy would be manifested in the use of other articles as well as in the use of the article which is taxed. And should the country be in an advancing state there is every probability that the labourers would sustain little or no injury from the tax, if, indeed, they were not improved by it.

It may be stated generally that the influence of taxes, whether on the necessaries or the luxuries consumed by the labourers, depends very materially on the state of the country at the time when they are imposed. In thriving countries, where the population is not in excess, and there is a brisk and growing demand for labour, moderate taxes on bread and other necessaries would be but little, if at all, injurious, inasmuch as the additional foresight, industry, and economy, they would bring along with them would, in no long time, enable the labourers either to get an equivalent increase of wages, or to discharge the taxes by an increase of industry and frugality, without their making any sensible encroachment on their comforts. But in a declining society, or when the demand for labour is stationary or retrograde, taxes on necessaries would have different effects; and, if they were heavy or even considerable, would no doubt entail considerable privations on the labouring class. Under such distressing circumstances the taxes would, for a while at least, fall wholly on them; and though they might, probably, discourage marriage, and add new strength to the principle of moral restraint, they would at the same time, by increasing their privations and lowering their opinions of what is necessary to their decent subsistence, help permanently to lower their condition. Taxes on necessaries should, therefore, be cautiously introduced, and confined within moderate limits. But when they have been introduced, and levied for a considerable period, they become, whether they be really borne by the labourers or by their

employers, identified with the wages of the former, in the same way that a tax on a commodity is identified with its cost. They are then, also, in great measure forgotten by the labourers, the majority of whom are hardly, perhaps, aware of their existence.

If we exclude tea and sugar from the list, the tax on soap is now almost the only one directly imposed in this country on a necessary used by the poor. But other and more important neeessaries have been, and others continue to be, taxed indirectly, by means of duties and restrictions on their importation. It will be afterwards seen that the influence of the late restraints on the importation of corn was greatly overrated; though it is not to be denied that they increased its price considerably, especially in unfavourable seasons. The old duty on foreign butter of 21*s.* a cwt. was much too high; especially as the effect of a duty of this sort is not only to add proportionally to the price of the quantities imported from abroad, but, also, to raise the price of the much larger quantities that are produced at home. This duty is now, however, reduced to 10*s.* a cwt., or $1\frac{1}{14}d.$ per lb., which is too inconsiderable to have any marked effect either in raising price or decreasing consumption. This, also, is the case with the existing duty of 5*s.* a cwt. on cheese.

The admission, in 1842, of foreign live cattle, sheep, fresh provisions, and fish, which had previously been prohibited, on payment of moderate duties, was advantageous alike in a commercial and economical point of view. We confess, however, that we see no good reason why these duties should have been repealed, and the importation of cattle, sheep, &c., permitted duty free. The duties were so very moderate that they could have had no material influence over the cost of meat and other things when sold by retail; so that the revenue which they might have afforded would have been obtained with little if any injury to any class. We may observe by the way that, from there not being any such discrepancy between the priees of provisions in our markets and those whence they are imported as was supposed, their free importation has not had the influence over prices here

that was anticipated. But it has led to a considerable importation of cattle, bacon, and other articles. And while it affords a security against any artificial rise in their price, it has prevented the clamour and agitation to which the continuance of the prohibition would most likely have given rise.

Whatever may be the influence of taxes on necessaries over wages and the condition of the labourers, their repeal, after they have been imposed for a considerable period, is always, in the first instance at least, very favourable to them. For the rate of wages and the progress of population having been determined by the circumstances under which the labouring classes were previously placed, they are but little and only slowly modified by the change; so that if there be no glut of unemployed labour in the market, and no means of easily importing additional labourers, their condition is materially improved by the repeal of taxes. Such repeal could not, under the supposed circumstances, affect their wages. And they would, consequently, be able to buy a greater quantity of the articles relieved from the duty than formerly; or, if they bought the same quantity, then they could afford to buy more of other things.

It will be afterwards seen that the changes recently made in the regulations under which the sugar-trade has been carried on, and in the duties on sugar, have materially reduced the price of that important article. A like effect would, no doubt, follow from a reduction of the present exorbitant duty on tea to something like a reasonable amount. And as the demand for labour would not be lessened, though it probably would be increased by such reduction, whatever sum a labourer's family may at present expend upon tea, whether it be 20*s.* or 30*s.* a year, they would continue to have that sum to expend upon it or on whatever else they fancied. And the consumption being in great degree formed upon and adapted to the existing prices, the presumption is that some considerable portion of the sum which is now expended upon tea, would after its fall be expended on other things. So that the reduction would not merely be advan-

tageous to those who at present use tea, and to those who are all but wholly denied its use, but also to great numbers in their capacity of producers.

The operation of this principle is strikingly exhibited in the case of fluctuations in the price of corn. This being the article most indispensable to subsistence, when its price rises, through a scarcity, a prohibition of importation, the imposition of a heavy duty, or any other cause, the poorer and more numerous classes endeavour, by reducing their outlays on less necessary articles, to get as much bread as possible. And it accords with universal experience, that any material rise in the price of corn is invariably accompanied by a diminished demand for butchers' meat, tea, sugar, beer, coarse cotton and woollen goods, and, in short, for all the articles which principally enter into the consumption of the lower and least wealthy classes. And it equally consists with experience that the opposite results invariably follow when the price of corn falls; and that there is then a more extensive and brisker demand for other things. Hence the paramount importance of good harvests, or of an equable supply of corn at moderate prices, not merely to the well-being of the labourers, but to that of the manufacturers and producers generally. The distress of the latter in bad years is not owing so much, perhaps, to the increased cost of their food, as to the falling off in the demand for their services occasioned by the diminution in the demand for their peculiar products. The revenue returns may be referred to in corroboration of this statement; the excise and customs duties on the great articles of consumption being invariably most productive in plentiful years.

It is probable that in the event of the condition of the labouring class being materially improved by a reduction of taxation, their industry would be in some degree relaxed, at the same time that the number of marriages would, most likely, be increased. But these are contingent and eventual results, and might be wholly or in part counteracted by other circumstances. And the influence of the supposed change would, also, depend in a very considerable degree on the

previous condition of the population, and on their habits and intelligence.

But, except in peculiarly flourishing countries, where there is an increasing demand for labour, the policy of laying heavy taxes on necessaries is not a little questionable. The public necessities may, indeed, be such as to require the imposition of these, or of still more objectionable taxes; but wherever it is possible, they had better be avoided. It is, however, quite different with moderate taxes on necessaries and still more on the luxuries or enjoyments of the labourer. No good objection can be made to the latter. And when they are not carried to excess, or to such a height as to defeat their object, by encouraging smuggling, they are productive of a large amount of revenue, without being, in any respect, prejudicial to the contributors. The duties on spirits and tobacco, and perhaps, also, malt liquor, are of this description. They are paid without being grudged, because they are identified with the cost of the articles, and because the taste for them is at once strong and deeply rooted. We beg, however, to protest against being reckoned of the number of those who think it would be good policy, were it practicable, to proscribe all luxurious indulgences on the part of the poor. The taste for spirits and tobacco is certainly about the least desirable that can be imagined; the indulgence in these articles, and more especially in spirits, being in the last degree injurious to the labourers, as well by the serious inroad it makes on their wages, as by the dissipation, idleness, and vice of which it is the prolific source. But bad as it may be, it is better that this taste should exist and become even more powerful, than that it should be suppressed without another of a preferable description being substituted in its stead. Men who, either from the pressure of taxation or any other cause, are confined to the mere necessaries required for their subsistence, are uniformly indolent, without enterprise, and without any wish to improve their condition. The enjoyment of superfluities by the lower classes is the best test of civilisation, and the wish to possess them is the best incentive to industry and invention. But when the taste for them is widely diffused

and engrafted, as it were, upon the habits of the people, duties, fitted to raise a large amount of revenue, may be laid on them without materially diminishing their consumption or the wish to possess them; while, by taxing the more questionable description of luxuries, such as ardent spirits, more heavily than others, the public taste may be gradually diverted into more wholesome channels. Dr. Smith, no doubt, says that the trade which a workman carries on with the alehouse "is not necessarily a losing trade;"* and so long as he confines his demands within proper limits, this, perhaps, is true. But it is at all events a trade which is very apt to be, and which *is* very frequently, abused. And there is nothing more likely to prevent such abuse than the laying of duties on spirits, tobacco, and all sorts of intoxicating and stupifying articles.

Sugar and tea are to be regarded in this country partly as necessaries and partly as luxuries, though, perhaps, they belong more to the former than to the latter class. But supposing the duties on them to be reasonable in amount, and properly assessed, they would appear to be in all respects, unexceptionable.

We are supported in our view of the influence of taxes on the luxuries of the poor by the authority of Smith: "The high price of such commodities (tobacco and spirits) does not necessarily diminish the ability of the inferior ranks of people to bring up families. Upon the sober and industrious poor, taxes upon such commodities act as sumptuary laws, and dispose them either to moderate or to refrain altogether from the use of superfluities which they can no longer easily afford. Their ability to bring up families, in consequence of this forced frugality, instead of being diminished, is frequently, perhaps, increased by the tax. It is the sober and industrious poor who generally bring up the most numerous families, and who principally supply the demand for useful labour. All the poor, indeed, are not sober and industrious, and the dissolute and disorderly might continue to indulge themselves in the

* Wealth of Nations, p. 217.

use of such commodities after this rise of price in the same manner as before, without regarding the distress which this indulgence might bring upon their families. Such disorderly persons, however, seldom rear up numerous families, their children generally perishing from neglect, mismanagement, and the scantiness or unwholesomeness of their food. If by the strength of their constitution they survive the hardships to which the bad conduct of their parents exposes them, yet the example of that bad conduct commonly corrupts their morals, so that, instead of being useful to society by their industry, they become public nuisances by their vices and disorders. Though the advanced price of the luxuries of the poor, therefore, might increase somewhat the distress of such disorderly families, and thereby diminish somewhat their ability to bring up their children, it would not probably diminish much the useful population of the country."*

There can be no question respecting the incidence of taxes on the luxuries consumed by the rich. Duties on coaches, carriage-horses and hunters, packs of hounds, champagne, and such-like articles, fall wholly on those by whom they are used, and cannot be shifted to any one else. Owing, however, to the limited proportion which the more opulent bear to the middle and lower classes, duties on the luxuries principally used by the former seldom yield a large amount of revenue. Contrary, also, to what might, perhaps, be supposed by most persons, such duties, unless confined within reasonable limits, cease to be productive and lead to results that are always to be deprecated. It has been said, that as rich people can pay, there can be no harm in laying heavy duties on the articles consumed by them. Duties, however, should, in all cases, be proportioned to the value of the articles on which they are laid, and not to the means of those who it is presumed will be most likely to buy them. Neither does it by any means follow that because a man *can* pay he *will* pay. On the contrary, it is found whenever articles principally used by

* Wealth of Nations, p. 394.

the higher classes are loaded with oppressive duties, that they either give up using such articles, or resort to enjoy them to other countries. In illustration of this statement we may mention that "in 1767, 1,500,000*l.* were borrowed upon a duty on ladies' chip hats; the duty was made large in proportion to the value that it might be productive; the consequence was, that chip hats were discontinued, and the tax produced nothing."* The same may be said of the tax laid on hair-powder in 1797; and similar results follow in the case of disproportionally heavy taxes on articles the taste for which is less fluctuating and capricious. Thus from 1821 to 1824, both inclusive, when the rate of duty on French wines was 13*s.* 9*d.* per imp. gallon, the consumption amounted to 171,838 gallons a year at an average. In 1825 the duty was reduced to 7*s.* 3*d.* per gallon; and during the subsequent four years the average annual consumption was 360,450 gallons! In these respects, indeed, there is no difference in the practical influence of oppressive duties, whether they be laid on the articles used by the higher, the middle, or the lower classes. They are uniformly pernicious and unproductive, whereas moderate duties are as uniformly productive and innocuous, if not advantageous.

CHAPTER III.

AD VALOREM TAXES.

It was supposed, previously to the publication of the edition of "The Wealth of Nations," by the author of this work, that equal *ad valorem* duties on all commodities, by affecting them to the same extent, would not in any degree modify or change the relation or proportion which they previously bore to each other.† But though such duties would equally af-

* Eden's Letters to the Earl of Carlisle, 3d edit., p. 119.

† See Mill's "Elem. of Polit. Econ.," 2d edit. p. 271.

fect commodities, they would not equally affect the profits of their producers; and it is by the degree in which the latter are affected that the relation of commodities to each other is determined. If all classes of producers employed the same proportions of fixed and circulating capital*, then it is plain that an *ad valorem* duty, by pressing equally on them all, would have no influence over the comparative values of their produce. But this is not the actual state of things. The capital employed by one class of producers may be of the least while that employed by another class may be of the most perishable description. And even in the same class the proportions of fixed and circulating capitals, or of hand labour and machinery, employed by different individuals, differs widely according to the scale on which they carry on business, and a variety of other circumstances. Hence, were the same *ad valorem* duty laid on parties so very differently situated, it would necessarily, by affecting their profits very differently, occasion a transfer of capital from one business to another, and a variation in the price of commodities, raising some and sinking others. To illustrate this, assuming that profits are 10 per cent., let it be supposed, first, that A advances 1000*l.* in wages at the commencement of the year, and that, at its close, he receives produce in return, which must, by the supposition, be worth 1100*l.*: second, let it be supposed that B has a capital of 11,000*l.* vested in a highly durable machine, which performs its work without any, or with but so little help from manual labour that it may be left out of view; the annual produce of this machine being necessarily, under the circumstances, wholly, or almost wholly, made up of profits, and worth, also, about 1100*l.*: and lastly, let it be supposed that an equal *ad valorem* duty of 10 per cent. is laid on commodities. Now, it is plain that in this case A and B will each bring, at the end of the year, produce valued at about 1100*l.* to market, and will therefore be respectively taxed

* It is, of course, taken for granted that the fixed capitals are of the same degree of durability, and that the circulating capitals are returnable in the same periods.

110*l.* But only 100*l.* of the value of A's goods consists of profits, the rest being the equivalent of the wages paid to those by whom they were produced; whereas the whole value of B's goods consists of profits. Hence it is clear that, while the duty would entirely swallow up A's profits and 10*l.* of his capital, it would only take 10 per cent. of B's profits. We have purposely chosen a case which sets the unequal operation of the tax in a striking point of view; but whenever there was any considerable difference in the proportions of fixed and circulating capital employed in different businesses, an *ad valorem* duty would operate in the way now pointed out. It would, therefore, be among the most unequal and mischievous duties which could be imposed. It would cause an immediate disturbance in all the channels of industry, and a change in the values of most descriptions of commodities. Capital would be driven from employments principally carried on by hand to those principally carried on by machinery; and while the value of the articles produced by the former would rise, the value of those produced by the latter would fall, until they were adjusted so as to yield the same rate of profit.

Some of those who have supposed that an *ad valorem* duty would not vary the values of commodities as compared with each other, have notwithstanding contended that it would raise their money price in proportion to its amount; that is, supposing the duty were 10 per cent. that prices would universally rise 10 per cent., and so with any other sum.* According to Mr. Mill, senior, this result is not brought about, by the duty having any influence over production, but by its occasioning an increased rapidity of circulation. But it may easily be seen that this is an error. Suppose that an *ad valorem* duty of 10 per cent. is laid on commodities, and let us endeavour, by tracing its operation, to discover whether it would really have the effect ascribed to it, assuming, for the moment, that it has no influence over the comparative values of com-

* Ricardo's "Principles of Political Economy," 3d edit., p. 281. Mill's "Elements," 2d edit., p. 272.

modities. The duty may be laid either on the buyers or on the sellers. Suppose now that A, who goes to buy an article has got twenty shillings in his pocket: if the government officers take two shillings from him, he will, of course, have only eighteen shillings to offer for the article for which on former occasions he paid twenty shillings; but as the government agents will come into market with the money got from him, the obvious result will be, that he will get nine-tenths of the article for his eighteen shillings, and that the officers will get the other tenth for their two shillings; so that there is no room or ground for any change taking place in its price. Suppose again that the duty, instead of being laid on the buyer, is laid on the seller: in this case, the person who received the twenty shillings from A would have to pay two of them to a tax-gatherer; and though when he went to market he would have only nine-tenths of the money in his pocket which he would have had but for the duty, yet, as the government agents would, as before, go to market with the other tenth, the same result would take place, and prices would not be affected.

Probably, however, it may be inquired, does not this suppose that money is also taxed? And would it not follow, unless the same duty that is laid on other things were laid on bullion when imported, that the supply of gold and silver in the country would be increased, and that prices would, in consequence, be raised? These questions must, however, be answered in the negative. A measure which does not alter the value of any article as compared with others produced at home, cannot raise its value as compared with those produced in foreign countries; for if the exporters of goods could exchange them for a greater quantity of foreign products in consequence of the tax, they would realise more profit than the sellers in the home-market, an inequality which, as every one knows, could not continue for any considerable period. And even supposing it were otherwise, and that the articles sent abroad really exchanged for more than previously, because of the equal duty laid on them, the increase of their price, by proportionally diminishing the foreign demand,

would prevent the importation of a greater aggregate quantity of bullion than formerly.

But it was unnecessary, perhaps, to say so much with respect to a statement resting on a false hypothesis; the previous investigation having shown that an equal *ad valorem* duty would not leave the values of commodities where it found them, but would occasion great fluctuations.

It may also be observed that, though the determination of the incidence of *ad valorem* duties on all articles be of considerable importance in a theoretical point of view, it can never be brought to any practical test. Such duties may be imposed with considerable fairness on some of the commodities imported from abroad. But though they were as desirable as they are otherwise, it is out of the question to suppose that they should ever be fairly assessed on the infinite variety of commodities produced within any extensive country. The greatest imaginable number of officers would not suffice either to impose or collect such duties.

Even as respects imported commodities, the obstacles in the way of assessing *ad valorem* duties are not easily overcome. It is very difficult to learn either what most articles cost or what they are worth at the present moment. If the determination of such a point were left to the importer, he might, to save the duty, undervalue the articles; while if it were left to the officer, he might overvalue them. It is sometimes the practice, when articles are entered at value and charged with *ad valorem* duties, to authorise the officers, if they suspect the articles are undervalued, to take them on account of government at the price entered, adding a reasonable profit for the merchant. But a plan of this sort is very liable to abuse, and especially to collusion between the importers and the officers. Probably no *ad valorem* duty was ever so fairly assessed and easily collected as that on tea previously to the abolition of the East India Company's monopoly. All sorts of tea were then exposed to public sale in London; a duty of 96 per cent. being charged upon such as sold under 2*s.* per pound, and of 100 per cent. on such as sold at 2*s.* per pound and upwards;

so that there was no room for fraud or favouritism. But after the abolition of the Company's monopoly, when everybody might import teas into the outports as well as into the metropolis, and dispose of them at pleasure, the former system for the assessment of the duties could no longer be acted upon. And it will be seen in the sequel that the difficulties in the way of distinguishing the varieties of tea, and of assessing specified duties thereon, were either such, or alleged to be such, as to occasion the abandonment of the latter, and the imposition of the same duty on all sorts of tea.

It has often been proposed to impose *ad valorem* duties on wine; and were it practicable it would be a very desirable arrangement. There is the greatest difference in the qualities and values of different wines. And it is against all principle to subject the inferior sorts to the same rate of duty that is laid on the finest Champagne and Burgundy. But, however desirable, the difficulties in the way of assessing *ad valorem* duties on wine with any degree of fairness are such that it is not very likely they will ever be overcome. It is often no easy matter to discriminate between entirely different kinds of wine, and it is still more difficult to discriminate between different varieties of the same wine. Were the attempt made, a great deal would have to be left (where nothing ever should be left) to the discretion of the officers; and there is good reason to think that the frauds thence arising would more than countervail any advantage to be derived from the adoption of the principle.

Where the practice of charging *ad valorem* duties is at all common, it is not unsual to fix an arbitrary value on most articles, and to rate the duty accordingly. But, however accurate at first, valuations of this sort become, in no long time, very wide of the mark, from the changes which are perpetually occurring in the cost and value of commodities; though as perfect accuracy in matters of this sort is unattainable, we incline to think, wherever the differences between articles subjected to *ad valorem* duties are distinctly marked, that this is the preferable plan for their assessment. The valuations might be revised every ten or twelve years, and

the discrepancies between them and the real value of the goods would, in that case, be seldom very considerable. It will always, however, be found to be next to impossible fairly to assess *ad valorem* duties in the cases in which they would otherwise be most desirable; that is, in the case of articles of the same species, such as corn, wines, teas, sugars, silk goods, &c., the qualities and values of different varieties of which, though distinguished with difficulty, differ very greatly.

CHAPTER IV.

TAXES ON RAW PRODUCE.

The question respecting the ultimate incidence of taxes on the raw produce of the soil is one of considerable nicety and difficulty. If land yielded no surplus to its possessors above the ordinary profit of the capital employed in its cultivation, the imposition of a tithe or other peculiar tax on its produce would obviously occasion an equivalent increase of price. There being no reason why the agriculturists should content themselves with a lower rate of profit than is realised in other employments, as soon as a tithe was imposed they would set about transferring a portion of their stock to some more lucrative business; and this transfer would continue until the diminution of supply raised prices to their proper level, and restored the equilibrium of profit. In such a state of things tithe would evidently form an equivalent addition to the price of farm produce. But after various qualities of soil have been brought under cultivation, and rents have, in consequence, been generally introduced, it is not so easy to trace the incidence and influence of tithes and other taxes on the produce of the land. They then appear to occasion a diminution of rent rather than a rise of prices. Farms that are tithe-free bring a higher rent than those which are titheable;

and it is naturally concluded that, were tithes abolished, the depressed rents would rise to the level of the others. For this reason tithe was long considered as forming, in advanced societies, a portion of the rent of the land of which the clergy and lay impropriators were the rightful owners, and that it had no influence over prices. "Taxes upon the produce of land," says Smith, "are in reality taxes upon rent, and, though they may be originally advanced by the farmer, are finally paid by the landlord. When a certain portion of the produce is to be paid away for a tax, the farmer computes, as well as he can, what the value of this portion is, one year with another, likely to amount to, and he makes a proportional abatement in the rent which he agrees to pay to the landlord. There is no farmer who does not compute beforehand what the church-tithe, which is a land-tax of this kind, is, one year with another, likely to amount to."*

Conclusive, however, as this statement appears on a first view, it is in most instances destitute of any good foundation. It has been repeatedly shown that a very considerable portion of the raw produce raised in every extensive country is produced by means of capital laid out on the land in the view merely of obtaining the customary rate of profit at the time, without its yielding any rent. It must also be observed that the cost of producing this portion of the required supply determines the price of the rest; for it is produced under the most unfavourable circumstances; and unless its producers were repaid their expenses and profits, it would not be brought to market, and a scarcity would ensue. But when a tithe is imposed, it affects, of course, the producers of this portion, in common with the others. Inasmuch, however, as they pay no rent, they cannot throw the burden of tithe on a landlord; and as they would not continue in their business unless they obtained the same rate of profit as their neighbours, it appears unavoidably to follow that the price of corn must rise proportionally to the tithe, which will, in that case, fall wholly on the consumers.

* Wealth of Nations, p. 377.

This last is Mr. Ricardo's theory, and no doubt can be entertained of its accuracy, provided—1st, that the tithe extends to all or nearly all the lands of a country; and, 2nd, that foreign corn is excluded or burdened with a tax equivalent to, or greater than, the tithe.

1st. There cannot, as already seen, be any doubt that a tithe universally imposed, by raising the cost of cultivating inferior lands, which pay little or no rent, and affecting all capital expended on improvements, must, when foreign corn is excluded, or admitted under a duty exceeding the tithe, occasion a corresponding rise of price, and fall wholly on the consumer. When, however, a considerable portion of the land of a country is exempted from tithe, its operation is somewhat different, inasmuch as it then encourages cultivation as much on the untithed as it discourages it on the tithed lands; so that it has a double effect, increasing the price of raw produce to the public by the addition it makes to the cost of cultivating the tithed land, and adding proportionally to the rent of that which is untithed.

According to the returns obtained under the late Income-Tax Act, the total annual value of the land of England and Wales in 1813 was estimated at 29,476,853*l.*, of which lands of the annual value of 7,904,378*l.* were wholly tithe-free, while lands of the annual value of 856,184*l.* were tithe-free in part, and other lands, of the annual value of 498,823*l.*, paid only a low modus. So far, therefore, is it from being true that all, or nearly all, the land of England and Wales pays tithe, that it appears that about a third part is exempted from this burden; and if to the tithe-free land of England and Wales we add Scotland, it will be seen that half the cultivated land of Great Britain is unaffected by tithe. Under these circumstances the tithe must have extended cultivation over the lands which are tithe-free to about the same extent that it contracted it on those which it affected; and must, consequently, have occasioned a rise, probably of about 5 per cent., in the price of corn, and a corresponding increase in the rents of the tithe-free lands.

2nd. Bnt it is easy to see that these results have not

been modified merely, but altogether changed, since foreign corn has been admitted at all times under a nominal duty. Our prices are now determined by the cost at which corn may be imported. The owners and occupiers of the portions of the country subject to the tithe-charge being no longer able, by restricting cultivation and raising prices, to indemnify themselves for this burden, it falls wholly on them; so that in this respect the practical effect of the opening of the ports to the free importation of corn, at a nominal duty, has been to throw a burden from the shoulders of the public, by whom it had hitherto been wholly or all but wholly borne, to those of the landlords.

As legally and constitutionally settled, tithe is a tenth part of the gross produce of the land, subject to none of the expenses of cultivation or of severance. Hence the burden which it imposes, though nominally the same, becomes really greater when the increase of population forces recourse to inferior soils, and crops have to be cultivated at an increased cost. It has been observed in countries subject to tithe that it uniformly increases more rapidly than rent, and that the severity of its pressure is progressively augmented. Its apologists allege, indeed, that it has the same effect, in as far as the interests of the farmers are concerned, as an equivalent amount of rent. But this is a most fallacious statement. Rent, when once fixed, continues the same during the currency of the lease or agreement. Though an industrious and enterprising farmer should raise ten or twenty times the quantity of produce raised by a sluggard, his rent would not, therefore, be increased; and he would reap, as he ought, all the advantages of his greater industry and intelligence. Such, however, is not the case with tithes, unless they happen to be commuted or limited to a rent certain. Where this is not the case they are invariable to the sluggard, while they become more and more oppressive to the industrious man, and increase with every fresh outlay of capital and labour. This, however, is a matter in which the interests of the landlords are still more sensibly affected than those of the tenants; all expensive improvements usually

undertaken by the former being prevented till prices rise so as to yield not only the common rate of profit on the necessary outlay, but also to indemnify them for the tithe. Practically, therefore, tithe operates as a premium on idleness, and as a heavy and constantly increasing tax on industry. It obstructs the progress of improvement; and by preventing the cultivator from deriving the entire advantage of superior skill and increased exertion, discourages his efforts and contributes to render him indolent and indifferent. A farmer pays his rent willingly to the landlord; but he considers the clergyman as an interloper, who, without having contributed in any way to raise the crop, claims a tenth part of its gross amount. The occupier of a farm subject to this galling charge seldom believes that he realises the same rate of profit on his capital as his neighbours in tithe-free farms. Mr. Stevenson, the well-informed author of the Agricultural Survey of the County of Surrey, says that it is the common opinion that a farm tithe-free is better worth twenty shillings an acre than a tithed farm equally favoured in soil and situation is worth thirteen shillings. In this way, tithes contribute indirectly as well as directly to raise prices; indirectly by generating an indisposition to apply fresh capital to the improvement of the soil, and directly by the positive addition which they make to the expense of cultivating bad land.

Dr. Paley, than whom there could be no better friend to the real interests of the church, says that, "of all institutions adverse to cultivation and improvement, none is so noxious as that of tithes. A claimant here enters into the produce who contributed no assistance whatever to the production: when years, perhaps, of care and toil have matured an improvement, when the husbandman sees new crops ripening to his skill and industry, the moment he is ready to put his sickle to the grain, he finds himself compelled to divide the harvest with a stranger. Tithes are a tax not only upon industry, but upon that industry which feeds mankind, upon that species of exertion which it is the object of all wise laws to cherish and promote."*

* Paley's Works, ii. p. 105., ed. 1819.

"Tithe," says Dr. Smith, "is always a great discouragement both to the improvements of the landlord and to the cultivation of the farmer. The one cannot venture to make the most important, which are generally the most expensive, mprovements; nor the other to rear the most valuable, which are generally too the most expensive, crops, when the church, which lays out no part of the expense, is to share so largely in the profit. The cultivation of madder was for a long time confined by the tithe to the United Provinces, which, being Presbyterian countries, and upon that account exempted from this destructive tax, enjoyed a sort of monopoly of that useful dyeing drug against the rest of Europe. The late attempts to introduce the cultivation of this plant into England have been made only in consequence of the statute which enacted that five shillings an acre should be received in lieu of all manner of tithe upon madder."* In further illustration of this principle, we may mention that the cultivation of flax and hemp in Ireland never succeeded until a low *modus* had been fixed by law; since which it has made a considerable progress.

Mr. Howlett, vicar of Dunmow in Essex, has made some statements in his valuable tract on tithe, which strikingly illustrate the oppressive nature of that impost when levied on expensive crops, and which also show the impossibility of its being deducted from rent. He says, it frequently happens that the tithe of an acre of hops is worth 3*l.* or 4*l.* after the charge for drying and the duty are deducted; while, perhaps, the rent of the land is not more than 40*s.* or 50*s.*; and he adds that he had known the tithe of an acre of carrot-seed worth from six to eight guineas grown on land not worth 20*s.*!† But even in the case of wheat and other corn crops, the result is not materially different; the value of the tithe being, in very many instances, equal to, and frequently much greater than, the rent.

* Wealth of Nations, p. 377.

† Inquiry concerning the Influence of Title, p. 3.

We may not, perhaps, be considered as travelling out of our way in observing that the moral seems to be as bad as the economical influence of tithes. The clergy cannot be blamed for exacting payment of that portion of the produce of the land which has been set apart for their support; and it is admitted, on all hands, that they rarely carry their claim for tithes to its full extent, and are in general less rigorous in their demands than lay impropriators. But, notwithstanding their forbearance, a provision of this sort is most objectionable. The influence and usefulness of a clergyman depend, in great measure, on his possessing the esteem and affection of his parishioners; and these he can with difficulty acquire, when his stipend consists of tithe, without the sacrifice, which perhaps he can ill afford, of a portion of his income. "The rate of tithe," says the author of the "Agricultural Survey of Clare," "is a tolerable barometer of the love or dislike of parishioners. Where it is higher than usual, you may be certain of finding a turbulent divine, who will have his rights, regardless whether he is liked or disliked. If, on the contrary, tithe is moderately exacted, the love and respect of his neighbours follows of course." A system of this sort sets the kindly feelings and the interest of the clergy in opposition to each other, paralyses their exertions and lessens their usefulness. Mr. Grattan said in the House of Commons that "the tithe system made the clergyman's income fall with his virtues and rise with his bad qualities, just as it made the parishioners lose by being ingenuous and save by dishonesty." It is difficult, indeed, to conceive how any better plan could have been devised for making the clergy the unwilling instruments of endless litigation and animosities.

A just sense of the injurious influence of tithe in obstructing improvements, and involving the clergy in contests with their parishioners, had long excited a general wish among well-informed individuals for its commutation; and this is now nearly effected, under the provisions of the 6th & 7th Will. IV. cap. 71. This act directs that the average value of the tithes in each parish, during the seven years

ending with 1835, should be ascertained, and distributed into equivalent quantities of wheat, barley, and oats, which are made a fixed and invariable rent-charge upon the land. And it is further enacted that the clergy and lay impropriators shall receive the value of these quantities in all time to come according to the average prices of corn in England and Wales during each previous seven years. Commissioners have been appointed to carry the act into execution; and the tithes in by far the greater portion of the country have been commuted conformably to its stipulations.

This act, coupled with the subsequent opening of the ports to the free importation of foreign corn, has thrown the burden of tithe entirely on the landlords. But the fact of the charge on its account being made, like the land-tax, fixed and invariable, is generally supposed to have rendered it about as innocuous as that impost. And it is certainly true that its pressure no longer increases with the increased outlay, or the superior skill or industry of the farmer. But, despite the limitation of the tithe-charge, its practical influence will mainly depend on the future state of the country. If the prices of agricultural produce recover from their present (1850) depression, manufactures continue to prosper, and tillage to extend, the fixity of the charge will be of the greatest advantage, inasmuch as it will neither obstruct the expenditure of capital on the land, nor discourage improvements. But there are other circumstances under which its influence may be widely different.

The average prices of corn during the seven years ended with 1835, by which the fixed corn-rent now payable in lieu of tithe was determined, were, wheat 56*s.* 3½*d.*, barley 31*s.* 9½*d.*, and oats 22*s.* 0½*d.* a quarter; whereas in 1850 wheat had fallen to 40*s.* 3*d.*, barley to 23*s.* 5*d.*, and oats to 16*s.* 5*d.* a quarter. We incline to the opinion of those who anticipate a rise rather than a further fall of prices. But there is little prospect, now that corn may be freely imported from all parts of the world at a nominal duty, that the average prices of any future seven years will be as high as the average of the seven years referred to above. And, such being the case, it is most

probable that some considerable portion of the land least suitable for cropping that was then under cultivation will be converted into pasture. Of late years, too, the growth of wheat was disproportionally increased. And since the abolition of the corn laws it is found to be more profitable, in various parts of the country, to substitute barley and oats for wheat. Now, in the event of the former supposition being realised, or of crop-land being converted into pasture, the tithe-charge will fall upon land which can no longer be cultivated with advantage; and in the event of its being desirable to substitute other grain for wheat, that portion of the charge which consists of the latter will fall upon land which is or would be better employed in raising barley or oats. Hence the fixed charge must evidently become a formidable obstacle to those changes of management which may be expedient or indispensable; and be an oppressive incubus, not only on the secondary or inferior qualities of land that were brought into tillage during the existence of the late corn laws, but, also, upon those qualities, whether superior or inferior, which, though suited to one or two, are not equally suited to the three varieties of corn that form constituent portions of the charge.

It is plain, therefore, that the effect of the commutation will depend in great measure, like that of the land-tax, on circumstances extraneous to and unconnected with itself. Should the prices of corn and the rents of land rise to a greater height than they attained to during the seven years ending with 1835, the fixed corn-rent on account of tithe will occasion little inconvenience. But in the event of prices continuing at or about their level in 1850, or of their falling still lower, the rent-charge for tithe can hardly fail to prove a most serious grievance to all proprietors and occupiers of inferior or secondary lands, and a great discouragement to agriculture. We have every confidence in the national resources, and in the elasticity and bouyancy of the national industry. But we are not, on that account, to shut our eyes to possible and even imminent contingencies. The fact of a free importation of corn being permitted, while the land is burdened with a charge of about 4,000,000*l.* a year on

account of tithe, fixed when importation was much obstructed, cultivation far advanced, and prices comparatively high, is of so grave and singular a character that it may be expected to have the most important consequences.

It was alleged a few years since that the Commutation Act had unjustly aggravated the pressure of tithe on some districts, and lessened it on others. Down, it was said, to its being passed it was the practice in all parts of the country, as it is still the practice where its provisions are not acted upon, either to acquit the burden of tithe by a payment in kind, or by a money-payment under a special agreement with the tithe-owner. And as there is a very wide difference between the price of corn in different parts of the country, such, for example, as Kent and Essex on the one hand, and the northern and Welsh counties on the other, it is obvious that a landlord or farmer, burdened with a rent-charge of a certain number of quarters as tithe in Westmoreland, would, when free to act as he thought best, stipulate for a very different money-payment on its account from what would have to be made for an equal amount of tithe in the Isle of Sheppey or the Isle of Thanet. But the Commutation Act had, it was said, wholly overlooked this important difference; and, by making the prices of the corn payable to the tithe-owners depend on the average prices of the kingdom, had materially increased the burden of the tax on the poorer and more backward districts, and diminished it on the richer and more improved. The increased pressure of the payments on account of tithe occasioned by the circumstance now mentioned was stated to have had a considerable influence in exciting the disturbances in Wales. And, whether such were really the case or not, it appeared, inasmuch as the prices of corn in the principality were considerably under the average prices of the kingdom, that the taking the latter for a standard by which to commute the corn-rents payable instead of tithe, made a very material addition to the pecuniary payments which the Welsh had to make on this head.

But notwithstanding the plausible nature of these state-

ments, they have no good foundation. They take for granted that the quantity of corn payable as rent by the landowner on account of tithe that has been commuted, has been determined by the quantity (and not by the value) of the produce taken as tithe in each particular case. And were such the case the objections made to the operation of the act in the more backward parts of the country would be perfectly well founded. But the real state of the case is quite otherwise; and as this is a matter of some difficulty and of considerable practical importance, which appears to have met with less attention than it deserves, we may be excused, perhaps, for endeavouring to set it in its true light.

We need not, however, trace the various steps indicated by the act. It is sufficient to state that the value of the tithe payable by an estate, supposing it not to have been determined by a lease, but to have been taken in kind, is ascertained by the prices at which the produce taken as tithe has been sold for in the nearest markets. And supposing the value of the tithe thus ascertained to be 100*l.*, this sum is divided into three equal parts of 33*l.* 6*s.* 8*d.*, each of which is converted into an equivalent in corn according to the *average prices of the kingdom* during the preceding seven years: and supposing those prices to be such that the 33*l.* 6*s.* 8*d.* will be worth 12 quarters of wheat, 20 of barley, and 24 of oats, these will be the quantities by which the rent due by the landowner on account of tithe will be determined in time to come.

Under these circumstances, which are those that take place in practice, there can, it is plain, be no injustice in converting the fixed quantities of 12, 20, and 24 quarters of wheat, barley, and oats into money according to the average prices of the kingdom. Had the value of the tithe as ascertained in the first instance been converted into equivalent quantities of wheat, barley, and oats according to the prices of the district, the quantities of corn forming the basis of the future rent to be paid by the tithe-owner would have been proportionally greater. Inasmuch, however, as these quantities were determined by the higher average prices of the kingdom, justice requires that they should be commuted by the same standard.

To illustrate this, suppose the prices in any market of Wales to be 40*s.* a quarter for wheat, while the average price of the kingdom is 50*s.*: in this case it is alleged that by taking the latter for a standard in converting the corn-rent due for tithe into money, the Welsh landowner or occupier has to pay 10*s.* a quarter more on account of tithe than formerly. But in making this statement it is forgotten that the quantity of corn to be converted into money was itself, as already seen, determined by the higher price of the kingdom. In the case now under consideration let it be supposed that the value of the tithe payable by an estate in Wales previously to the commutation amounted to 150*l.* a year, all legal deductions being made: this sum will, under the new act, be converted into quantities of wheat, barley, and oats respectively worth 50*l.* according to the average prices of the kingdom: in future, therefore, the landowner will be charged with 20 quarters of wheat (20 at 50*s.*=50*l.*) and with barley and oats in proportion; but, it is plain, had the conversion been made according to the prices of the district, the wheat-rent to be paid in future would have been 25 instead of 20 quarters (25 at 40*s.*=50*l.*), so that his position, by taking local prices for a standard, would have been neither better nor worse than it is. Whatever he might, under such circumstances, have gained by the lower rate at which the corn-rent would henceforth be converted into money, he would unavoidably have lost a precisely equal sum by the greater amount of such corn-rent.

But though there be no foundation for the opinion that the Commutation Act has been peculiarly injurious to the more backward parts of the kingdom in the way now stated, none need be surprised that it should have occasioned much dissatisfaction. The truth is that fixed money-payments are but little suited to persons in the depressed condition of the greater number of Welsh and other poor tenants. In bad years they could formerly, if they pleased, fall back upon a payment in kind, and could higgle with the parson or other tithe-owner for a reduction of his charge. But now the sum

payable as tithe is fixed and ascertained. And the remedy for recovery being simple, the burden appears to the majority of the smaller occupiers to be really augmented.

Owing also to the moisture of their climate, the Welsh, and we may add the farmers in all the western counties, had formerly in dealing with parsons and other tithe-owners a powerful resource in threatening to allow their land to "run to grass," as it is called; and when it is in grass it is of little importance to the farmer whether it be broken up a year or two sooner or later. But this resource has been cut off. The fixed corn-rent must, as already seen, be paid whether the land be in tillage or in pasture. None can now elude its pressure. In all cases it has been rendered a more constant, and in very many a heavier burden, than formerly.

The plan of making the payments of every year depend on the average of the preceding seven years would seem to be most unwise. Under its operation the farmer has frequently a high payment to make when prices are low, and conversely. In 1850, for example, when the farmers got only 40*s.* 3*d.* for their wheat, the portion of the fixed tithe-charge which consists of that description of grain was converted into money at 51*s.* 6*d.* a quarter, that being the average price of the previous seven years, and so for the other portions of the charge. This factitious increase of the fixed payments on account of tithe, amounting to no less than 11*s.* 3*d.* a quarter on wheat, could not fail to add most materially to the pressure on the agricultural interest during that year. Surely, however, this result should be obviated. It is no answer to those who complain of this grievance to say that the chances are that at some other time the average price of the year will be higher than the average price of the preceding seven years, and that in such case the farmers will gain and the tithe-owners lose by the system. The same individuals may not occupy the same situations when this compensation takes place, if it ever do take place. And it would be small consolation to a farmer who is now paying 50*l.* a year excess of price for tithe to be told that at a future period his successor will be able to acquit the burden by a payment 50*l.* short of the price

of that day. Such oscillations are injurious to all parties, but especially to the producers. Tithe, like every other tax, should be payable at the time and in the manner which may be most convenient to the contributors. In other words, it should be proportioned to the prices of the year when the payment is made, and not to those of previous years. This is the plan followed in Scotland; and, being conformable alike to common sense and sound principle, it is difficult to see why it should not, also, be followed in England. The probability, however, seems to be that the Commutation Act will have to undergo other and more important modifications than this. A measure intended to lighten must not be permitted seriously to aggravate the pressure of tithe.

In Scotland, as in the other parts of the empire, the Romish clergy, exclusive of the large landed estates of which they obtained possession, were entitled to a tithe of the produce of the lands belonging to others. But, at the Reformation, the estates of the clergy, and the tithes payable to them, were either seized upon or granted by the crown to certain lay proprietors, who have received the name of *titulars*. The reformed clergy, who were thus left without any fixed or legal provision, loudly condemned this appropriation of the church property; for, though they had abjured the spiritual errors of the Romish church, they had too much regard to their worldly interests to renounce what they contended was their right to succeed to her revenues. And as the tithes in possession of the titulars or lay impropriators were more rigorously exacted than they had ever been by the clergy, the complaints of the latter were re-echoed by a large proportion of the farmers and smaller proprietors. In consequence of these complaints, and of the extreme distress of the clergy, various efforts were made to secure some provision for the latter out of the wreck of the church property, and to put a stop to the rapacious exactions of the titulars. After much fluctuating legislation on the subject, the whole matters in dispute were referred to Charles I., by whom they were finally arranged and settled, by a judgment pronounced

in 1629, which was ratified by an Act of the Scotch Parliament in 1633. This statute ordained that landlords should be entitled to get their estates valued, and that the whole sum which could ever be drawn by the clergy from them should not exceed a *fifth* part of their valued free rent, and that, when once made, this valuation should not be subject to any future revision or modification. The clergy were not, however, to be entitled to the immediate or unconditional possession of the *fifth* part of the free rent of the land that was thus set apart for their maintenance, for it was remitted to a committee of the Scotch Parliament (and, since the Union, the same power has been lodged in the Court of Session), to grant the clergy such portions of this *fifth* part of the valued free rent as they might judge suitable for their support. When a clergyman has got the whole of this *fifth* part, the tithe or *teind* of his parish is said to be exhausted, and he has no further claim of any sort on the land. This is now the case in a considerable number of Scottish parishes; and by a late statute a sum of about 10,000*l.* a year is given to make up the stipends of clergymen in such parishes to 150*l.* a year, exclusive of glebes and houses.

The valuation of the rent of Scotland under which the clergy are now paid was principally executed in the reigns of Charles I. and II. Even at the time it was understood to be very low; and the subsequent rise of rent has been so very great that, instead of getting a fifth, the clergy are not at present receiving more than its *twenty-fifth* or *thirtieth* part. On a few estates which were not valued so early, the case is a little different. But we believe we are warranted in affirming that the provision for the clergy does not, in any instance, amount to a tenth part of the nett rental of the land.

At the same time that the provision for the clergy was fixed on this footing it was also enacted that all individuals who paid tithes to lay impropriators should be entitled to buy them up on paying the proprietor *six* years' purchase of their estimated annual value—a power of which the payers have universally availed themselves.

These arrangements have been productive of the greatest

benefit, and have contributed, in no ordinary degree, to the advancement of agriculture. The landlords and occupiers of farms in Scotland have not been restrained from laying out capital, or making the most expensive improvements, by any fear of a clergyman or lay impropriator demanding a share of the produce. And what is of equal, and perhaps greater importance, the salutary influence of the clergy has not been in any degree weakened by the mode in which they are provided for, and squabbling and unseemly altercations between them and their parishioners, with respect to stipends, have been all but entirely unknown.

The influence of tithe and other taxes on the price of raw produce has been urged as a reason why an equal duty should be imposed on such produce when imported from abroad. But foreign corn must be paid for, either directly or indirectly, by the exportation of some species of manufactured commodities; and it, therefore, follows that the home producers have no claim to a protecting duty on the importation of foreign corn, unless the tithe, and other taxes which fall on raw produce, exceed those which fall on manufactured goods. Taxes, provided they be equally distributed, do not render a particular class less able to withstand the competition of foreigners than others, and cannot, therefore, entitle it to a protecting duty. But if higher duties be laid on a particular description of commodities, the case is different. If, for example, while the duty on commodities generally is 10 per cent., a duty of 20 per cent. were laid on a particular article, its price must rise 10 per cent. more than the others, in order to maintain its producers in the same relative situation as before. But in the event of the ports being opened to the importation of foreign goods free of duty, the producers of the heavily-taxed commodity would, it is plain, be deprived of the means of limiting its supply, and consequently of raising its price, so as to indemnify themselves for the excess of tax. The 10 per cent. extra duty would then really operate as an equivalent bounty on the importation of the commodity. And unless it were defeated by a countervailing or protecting duty

of 10 per cent., the home producers would be placed in a relatively disadvantageous situation, and would, perhaps, have to abandon their business.

Now it may, we apprehend, be easily shown that the agriculturists are in this situation; and further, that the peculiar burdens they have to sustain have been materially increased by opening the ports to the importation of corn without any duty. No branch of manufacturing or commercial industry is subject to a tax similar or equivalent to tithe. We have already seen that under the former regulations it operated partly to increase prices and partly to raise the rents of the tithe-free lands. And we have further seen that when, as at present, corn is permitted to be freely imported under a nominal duty the incidence of the tithe is changed, and that it neither raises prices nor rents, but falls wholly on the landlords. The fact of tithe having been commuted has nothing to do with this result. If rents had risen since the commutation the peculiar burden which the opening of the ports has thrown on the land would have been less felt, but as they have fallen it is more felt. But, independent of its greater or less pressure, we are not to effect what is believed will be a great national improvement by shifting a burden borne by the public on to the shoulders of a particular class. An injustice of this sort could be vindicated only by an overwhelming necessity. Luckily, however, we have not had to deal with any such unreasoning principle. And hence the obligation, when the ports were opened, of imposing a duty on foreign corn sufficient to countervail the tithe.

Exclusive of tithe, the land is burdened with an extra weight of other taxes. Poor-rates and county-rates of all descriptions have always fallen more heavily on it than on any other species of fixed property; and though, within the last few years, some of the more striking anomalies in their assessment have been removed, they still continue to press with disproportioned severity on the land. Moneyed fortunes, also, and funded and other moveable property, are exempted from local burdens. An individual may have 100,000*l.* engaged in trade, vested in the public funds, in mortgages, or

in the stock of the Banks of England or Scotland, without being subject to tithe, or to the taxes for the poor, and other local objects, which fall on the owners of the smallest patches of land, and of most other descriptions of fixed property. There may be reasons to justify this exemption; but the fact of its existing proves sufficiently that land and fixed property in general is peculiarly affected by taxation.

It will be afterwards seen that the malt-tax, though it fall directly on the consumers, is, in its indirect operation, injurious to agriculture. And, being a grievance peculiar to this department, it would entitle those engaged in it, had they no other claims to urge, to a countervailing duty on the importation of foreign barley.

Such being the case, we have to regret that when the free importation of corn was permitted in 1849 it was not burdened with a fixed or constant duty sufficient to countervail the peculiar charges that fall on the land. Protection to this extent was due to the agriculturists not as a favour, but to keep them where they have a right to be kept—on the same level as the other classes of their countrymen. If they had been relieved from their peculiar burdens, the necessity for any countervailing duty would, of course, have ceased, and it might have been forthwith repealed. But the equalisation of taxation at home should, in all cases, precede the repeal of duties on importation. It is not possible, perhaps, to form any accurate estimate of what a fair countervailing duty should amount to; but it would not, we apprehend, be difficult to show that, by fixing it at 6*s.* or 7*s.* a quarter on wheat, and other grain in proportion, the justice of the case would be satisfied, and the interests of the agriculturists and those of the public conciliated and promoted. A duty of this amount would place all parties in the same relative situation now as formerly; and would treat them, as they should ever be treated, with equal and impartial justice.

It has been objected to a fixed duty, that it could not be collected in years when there was any unusual deficiency in our harvests, the prices of corn, even without any duty, being

then oppressively high. But, though it may seem paradoxical, it is notwithstanding true, that prices in such years would not be increased by the payment of a moderate duty, nor reduced by its repeal or suspension. It is easy to see that such would be the case. Suppose that at present, when there is a duty of only 1*s.* a quarter, corn of about the same quality as British corn may be imported in ordinary years from Dantzic and other corn-shipping ports, and sold to the miller for about 42*s.* a quarter.* If a fixed duty of 6*s.* were laid on such corn, the price would have to rise to 47*s.* a quarter before it would answer the foreigner to send it to this country. But he would begin to send it as soon as it attained that level; and if the price rose to 50*s.* or 55*s.* its exportation would be peculiarly advantageous. The moment, however, that it is ascertained or believed that any serious deficiency has taken place in our harvest, the price of corn rises, as everybody knows, far above this limit, most probably ranging, according to the presumed deficiency, from 65*s.* to 75*s.*, 80*s.*, and upwards, a quarter. The duty, whenever such is the case, ceases to have any influence over prices, these being determined by the proportion between the supply and demand without reference to the cost of the corn. The duty is then, in fact, deducted from the profits of the foreigner, and its suspension would only add to the latter, without depressing prices.

An objection has been made to this reasoning, founded on the different distances from which corn is brought in dear years. It is admitted that the duty would have no direct influence in such seasons over the prices or supplies of corn brought from the contiguous markets; but it is contended, that by obstructing importation from great distances, it would tend by lessening the supply to raise prices generally. This statement is, however, more ingenious than correct. The practical influence of a duty of 6*s.* or 7*s.* a quarter, in the way now stated, would be quite inappreciable. Every person engaged

* For proofs of this, see Art. Corn Laws and Corn Trade in "Commercial Dictionary."

in the corn trade knows, that when prices are 60*s.*, 70*s.*, or 80*s.* a quarter, the fact of there being or not being a duty of 6*s.* or 7*s.* would have no perceptible influence over importation. The circle whence corn is brought in years of scarcity is too vast, and its margin too ill-defined, to be either sensibly expanded or circumscribed by adding 6*s.* or 7*s.* to, or deducting the same sum from, our prices.

It appears, therefore, how much soever the conclusion may be at variance with popular prejudices, that a fixed duty on corn would be most onerous when prices were about the level at which importation can take place, or but a little higher. It would then, like the generality of customs duties, fall wholly on the importers, or on the consumers here. But when prices rise considerably above the level of profitable importation, the duty has no influence over them, and falls wholly on the foreigner. Hence the impolicy of the repeal or suspension of the duty when prices are high. It would be sacrificing revenue, not for the benefit of our own people, but for that of the growers and dealers in Poland and other exporting countries.

Whatever amount of duty may be laid on foreign corn, for the equitable purpose of countervailing peculiar burdens laid on the corn raised at home, an *equivalent drawback* should be allowed on exportation. "In allowing," says Mr. Ricardo, "this drawback, we are merely returning to the farmer a tax which he has already paid, and which he must have to place him in a fair state of competition in the foreign market, not only with the foreign producer, but with his own countrymen who are producing other commodities. It is essentially different from a bounty on exportation, in the sense in which the word bounty is usually understood; for by a bounty is generally meant a tax levied on the people for the purpose of rendering corn unnaturally cheap to the foreign consumer: whereas what I propose is, to sell our corn at the price at which we can really afford to produce it; and not to add to its price a tax which shall induce the foreigner rather to purchase it from some other country, and deprive us of a

trade which, under a system of free competition, we might have selected."*

Such, we have always thought, are the principles on which the change effected in the corn laws in 1846 should have been made. The imposition of a reasonable duty on imported corn, accompanied by a corresponding drawback, was necessary to meet the justice of the case. And, apart from this paramount consideration, there appear to be other grounds on which its expediency might be vindicated.

It may, we believe, be shown that those fluctuations of price which are so very injurious to all classes, would be more likely to be obviated or mitigated under the system we have suggested than under that which is established. Thanks to the spread of agricultural improvement, we now grow, in moderately favourable years, nearly as much corn as is sufficient for our supply; and in unusually favourable years, such as 1822 and 1833, the home supply is so very abundant that the market is overloaded and exportation takes place. But, under the peculiar circumstances of the case, this abundance becomes a serious loss to the farmer; for, owing to our ordinary or average prices being above those of the continent, the market cannot be relieved of a surplus till they have fallen to a ruinously low level. Much of the agricultural distress that has occurred since the peace of 1815, originated in the way now mentioned. Such revulsions, and the injury consequent thereon, would, however, be in great measure obviated by granting a drawback of 6*s.* or 7*s.* a quarter, inasmuch as it would, by facilitating exportation in unusually plentiful seasons, hinder prices from falling to the extent they must otherwise do. And as the duty, while it checked importation in good years, or when it is not required, would not check it in scarce years or when it is required, it may be concluded that by lessening the tendency to extremes, the proposed plan would render agriculture and commerce more secure, and would consequently promote the prosperity of both.

* Protection to Agriculture, p. 53.

But though the justice of imposing a fixed duty on imported corn accompanied by an equivalent drawback, and its influence in mitigating oscillations of price, had been less evident than they appear to be, it should have been imposed as a precautionary measure, till it had been seen how the new system would operate. In a matter of such importance to the well-being of the state as the interests of agriculture and of the population directly and indirectly dependent upon it, no step should have been taken without great caution of which the consequences were not clearly foreseen. But no one could foresee, in 1846, what effect the measures of that year would have on the future price of corn and the condition of the agriculturists. It was then believed by many intelligent persons (and we continue to be of that belief) that the probable influence of the measure was much exaggerated, and that it would not have the effect upon prices that was generally anticipated. But all speculations in regard to future prices are liable to be affected by so many unforeseen and inappreciable circumstances, that they are entitled to little weight; and form a very insecure foundation, indeed, for any important measure. And certainly the well-being of the agricultural class should not have been imperilled on any such unsatisfactory data. The old protective system could not, it is true, be longer maintained or tolerated. But it did not, therefore, follow that every vestige of it was at once to be swept away; and that the agriculturists were to be exposed, without even that degree of protection to which their peculiar burdens gave them an undoubted claim, to the unfettered competition of the whole world. This was rushing blindfold from one extreme to another, and effecting at once a change which should have been effected slowly and gradually.

It should further be borne in mind that this is not a mere agricultural question. The interests of one great class cannot be insulated from those of the rest of the community, or regarded in a separate point of view. In England all the orders of society are intimately connected with, and depend upon and support each other. The landlords and farmers ordi-

narily employ vast quantities of labour, and have a very extensive demand for manufactured goods and the various articles of convenience and luxury. Hence, when they are involved in difficulties and their means are crippled, it affects every department of industry. Wages are reduced. The demand for the products of the loom, and of the colonies, is diminished. And in addition to corn, the market is glutted with workpeople, manufactured goods, sugar and coffee. It is plainly, therefore, a capital error to suppose that the duty on foreign corn and the drawback we have ventured to recommend would have been advantageous to none save the agriculturists. By protecting the interests of the latter they would, at the same time, have protected those of all the other classes.

But the proceedings in 1846 have become matter of history. The question no longer is, what should have been done then, but what should be done now? And it will be evident, on a little reflection, that what might at the former epoch have been proper and expedient, may now be both improper and inexpedient. In 1846 the question was open, and we had to consider under what conditions and securities it was to be disposed of. But having been settled, though, as it would seem, without due precaution, to reopen it would be a very difficult and a very hazardous proceeding.

> Facilis descensus Averno;
> Sed revocare gradum, superasque evadere ad auras,
> Hoc opus, hic labor est.

Such an attempt would lead to the most violent contentions; the population of the towns would be arrayed against that of the country; the sufferings of the agriculturists would be denied; and they would be stigmatised as endeavouring to extort an unjust boon to themselves, at the cost and to the injury of the other classes. And supposing, of which there is no probability, that a duty of 6*s.* or 7*s.* a quarter were laid on foreign corn, could any one say that it would be permanent? that it would last for three, five, or seven years? The pernicious trade of agitation would be revived. Misrepre-

sentations and falsehoods of all sorts would be more abundant than ever. And the sense of insecurity would be such that neither landlords nor farmers would make any outlay, or enter into any engagements, on the supposition that the new arrangement would be maintained. The country would be convulsed without any advantage accruing to any one; and the duty would be sure to be swept off on the first occurrence of anything approaching to a scarcity.

It may, even, be doubted whether it was practicable, had it been attempted, to establish an equitable system so late as 1846. The pertinacity with which the agriculturists opposed every approach to a more liberal policy, roused a spirit which would not be satisfied with anything short of a complete abandonment of all restrictions and duties. The time for compromise and arrangement having been allowed to go by, government had to deal, in the face of an impending scarcity, with an irritated and unreasoning populace. *Cum ventre humano tibi negotium est nec rationem patitur, nec æquitatæ mitigatur, nec ulla prece flectitur populus.* (Seneca de Brev. Vitæ, c. 18.) Under these circumstances Sir Robert Peel concluded, and few could judge "so wisely or so well," that it was better to make an end of the matter, than, by attempting to introduce any precautionary measures, to prolong, as it would have done, the irritation and insecurity that then prevailed.

And even if the formidable, or rather insuperable, difficulties now referred to did not interpose, it is by no means clear that the circumstances of the case are such as would warrant any material interference with the arrangement of 1846. It was undoubtedly rash and hazardous, and in some degree unjust; but the question is, has it been practically injurious? The fall of price since 1846, or rather since the full establishment of the new system in 1849, has been somewhat, though but little, greater than was generally anticipated; but it has not been so much greater as to produce any very considerable or general distress. During the period from 1815 to 1846, there was a fall in the price of wheat of no less than 28*s.* 6*d.* a quarter. And yet, notwith-

standing this heavy fall, and the gradual decline of protection, agriculture was prodigiously improved, and there was a great rise of rent in the interval. And when such has been the case despite a fall of 28*s.* 6*d.*, can it be supposed that a further fall of from 10*s.* to at most 14*s.* or 15*s.* a quarter, is to occasion that universality of ruin which is said to be impending over agriculture? No such undesirable consummation can be reasonably anticipated. The farming interest was far more depressed after the peace of 1815, and at different periods between 1820 and 1837, than at this moment. But it extricated itself without any legislative assistance from the serious difficulties in which it was then involved, and became more flourishing than ever. We do not apprehend that the result of the present trial will be different. If, however, there should be, at any time, so very abundant a season, or cycle of seasons, in this country and in the north of Europe, as to threaten such a fall of prices as would give a serious shock to agricultural industry, the evil may be averted by some temporary expedient. The heats and animosities that were generated by the contest which terminated in 1846 will gradually become less intense, and will, in no very lengthened period, be well nigh forgotten. The public mind will then be better fitted for the consideration of this important question. It is but seldom that a law enacted under the pressure of a temporary exigency can be advantageously maintained in its entire extent as a safe rule of national policy. The practical merits and defects of the arrangement made in 1846 will gradually disclose themselves. And it will be the business of parliament to adopt such measures as may be required to secure the former, and, in as far as practicable, to obviate the latter. And though we should not wish to speak confidently of any measure, the working of which must necessarily depend on so many contingencies, our impression is that the imposition of a reasonable fixed duty on corn, accompanied with an equivalent drawback, will in the end be found to be possessed of the double advantage of yielding a considerable revenue, and of giving additional steadiness to prices and security to industry.

Exclusive of tithes, taxes on commodities are most commonly divided into two great classes; one consisting of external or frontier, and the other of internal duties. The first class, called in England customs duties, are principally charged on commodities brought from foreign parts, on their importation, and sometimes, also, on native commodities when exported. The second class includes excise duties, charged on certain articles produced within the country, and intended for home consumption, with duties on property and income, on the paper, parchment, or other materials, required in certain writings, on licences to exercise certain privileges, to carry on certain businesses, &c.

CHAPTER V.

CUSTOMS OR FRONTIER DUTIES, OR DUTIES ON THE IMPORTATION AND EXPORTATION OF COMMODITIES.

These, like other duties, are usually paid by the consumers of the articles on which they are laid.

When a government imposes a duty on foreign products entering its ports, the duty, in ordinary cases, or when there is no sudden or extraordinary demand for the taxed articles, falls entirely on its own subjects by whom they are purchased. The circumstance of the products imported from France, America, and other foreign states, being subject in England to certain rates of duty, lessens our demand for them; but otherwise it is of no consequence to the foreigners. They sell their goods indifferently for exportation to us, or for home consumption, at a price sufficient to defray the cost of their production including profits; the duties imposed on them in our ports making a further addition to their cost which is wholly paid by our people. Any one, indeed, who reflects that the duties on tobacco, spirits, tea, most sorts of wine, and

various other foreign articles, do not merely equal, but in some instances greatly exceed their price abroad, will at once perceive how contradictory it is to suppose that they fall on the foreigner. For the same reason, when a government lays a duty on the products which its merchants are about to export, it does not fall on them, but on those who buy the products. And, were it possible for a country to raise a sufficient revenue by laying duties on commodities when exported, such revenue would be wholly derived from others, and it would itself be in the happy predicament of enjoying an entire immunity from taxation. But this is a supposition which is not destined ever to be realised. Were one state to attempt to raise a revenue by taxing exports, others would do the same; and, as the imports generally equal or exceed the exports, what was gained on the one hand, by a policy of this sort, would most likely be lost on the other. In imposing duties on commodities about to be exported, especial care should be taken not to lay them on such as may be furnished with nearly the same facility by others; for, by increasing the cost of the articles on which they are laid, the duties might, in such cases, put an entire stop to their exportation. It is only when articles in extensive demand happen to belong exclusively to particular countries, or when they are produced in some at a less cost than they can be produced in others, that reasonable duties on their exportation may be advisable. The teas of China, the coal of England, and the superior wines of France, have been said to belong to this description of articles.

But even in cases of this sort great caution is usually required in imposing export duties. At first they had better be confined within narrow limits, and adopted by way of experiment only, their increase being made to depend on circumstances. There are few, if any, articles which can be considered indispensable. And were a nation which is fortunate enough exclusively to possess an article in extensive demand, to load it with a heavy export duty, in the view of drawing a large revenue from foreigners, the demand for it might be so much lessened as to render the heavy duty

less productive than a lighter one. Tea on being exported from China might bear, perhaps, a duty of 3*d.* or 4*d.* per lb. But, were it carried much beyond this, it would, probably, make coffee, cocoa, and other articles be substituted for tea; and thus, by diminishing the demand for the latter, and restricting its export, make the revenue less than it would have been had the duty been lower.

The trade in cinnamon shipped from Ceylon may be referred to in illustration of the mischievous consequences of carrying duties on exports to an unreasonable extent, even when the exporting country has peculiar facilities of production. Ceylon, as most part of our readers must be aware, enjoyed for a lengthened period a monopoly of the growth of cinnamon, its culture being confined to certain gardens in the vicinity of Columbo, the produce of which was raised and sold on account of government. This system was much and justly complained of. And it was contended that the preferable plan would be to throw open the culture of cinnamon, laying at the same time a moderate duty on its exportation. At length, after a great deal of discussion, the monopoly was suppressed in 1833, and the culture declared to be free. This was a judicious measure; but all the good that would otherwise have resulted from it was more than neutralised by the cinnamon being charged on its exportation with an exorbitant duty of about 3*s.* per lb. This duty, by keeping up and considerably increasing the former high price of cinnamon, necessarily prevented the trade from extending. And it did more than this. It led to the introduction and cultivation of cinnamon in Java, Guiana, and the West Indies; and it also led to an extensive substitution of cassia for cinnamon. We endeavoured to show at the time ("Commercial Dictionary," Art. *Cinnamon*), that such would most probably be the result of the duty. Unfortunately, however, it was allowed to spread its upas-like influence over the trade, which it well nigh annihilated, till 1842, when it was reduced to 1*s.* per lb. It was still, however, much too high; and the trade did not attain to anything like the value and importance to which it might and would have attained had there been no duty.

But we are glad to have to state that, the latter having been reduced in 1848 to 3*d.* per lb., the export of cinnamon is again increasing. It is obvious, therefore, that in matters of this sort everything depends on specialties, or on the circumstances peculiar to each case. No general rule can be laid down. A duty which might annihilate the export of one article might not affect that of another.

The revenue drawn by the East India Company from opium affords, perhaps, the best example that can be referred to of the advantage that may sometimes be derived from taxing exports. The culture of opium, which is carried on to a greater extent and with greater facility in India than anywhere else, is a government monopoly, being confined to the provinces of Bahar and Benares, and the district of Malwa in Central India. Every one who chooses may raise opium within the prescribed limits. But the drug, after being raised and prepared, must all be sold at a fixed price to the Company's agents. And this price being far below the price at which the Company sell it for exportation, the difference constitutes the opium revenue, which now amounts to above 3,000,000*l.* a year, being fully equal to the entire land revenue of Bengal! It has been proposed to throw open the trade in opium, by allowing everybody to raise and sell it at pleasure; and it is contended that by laying a proper duty on the drug when exported, the Company would gain considerably by the change. But, without stopping to inquire into the probable correctness of this statement, it is quite plain there can be no better subject for taxation. The opium is almost all sent to China, where the consumption, which already exceeds 50,000 chests a year, is rapidly extending. And, though it be no part of the duty of the East India Company to look beyond the interests of their own subjects, it cannot be doubted that in raising the price of opium to the point at which it will yield the maximum amount of revenue they will best provide for the well-being of the Chinese as well as for the wants of the Indian treasury.

Of late years coal has been almost the only article of British produce that has been charged with any considerable

duty on exportation; and a good deal of difference of opinion has been entertained in regard to its policy. It has sometimes been contended that, as our manufacturing prosperity is materially dependent on abundant supplies of coal, and as these, though vast, are not inexhaustible, it is wrong, by allowing coal to be exported, to accelerate the period when posterity may be reduced to difficulties by the scarcity of this most valuable mineral. We are not, however, disposed to attach much weight to these considerations. It has been sufficiently demonstrated that we have in South Wales and other parts of the kingdom, a supply of coal amply sufficient to permit of the consumption being continued on its present gigantic scale for upwards of 2000 years. This, therefore, is clearly a case in which it would be foolish to deny ourselves any immediate advantage to be derived from the exportation of coal, in the view of guarding against so distant an evil as the exhaustion of the mines. Indeed, the fair presumption is, that long before the supplies of coal begin sensibly to decline, such improvements will have been made in the arts as will enable industrious undertakings to be carried on with a much less expenditure of fuel than is now required. But whether these anticipations should or should not be realised, we may, at all events, in deciding in regard to the exportation of coal, leave out of view for the next 500 years the question respecting the probable exhaustion of the mines.

The policy of permitting its exportation, has, however, been impugned on other grounds, which are less easily disposed of. It is contended that a supply of British coal is of the greatest consequence to several branches of manufacture carried on in the neighbouring continental states, and that in permitting its exportation we give up one of our peculiar advantages as a manufacturing people, and put, in so far, our rivals in the same situation with ourselves. And were such the case, sound policy would either dictate that the export of coal should be wholly put a stop to, or that it should be charged on being shipped with a high duty. But it is alleged by those interested in the coal trade, that our coal is not necessary, nor even of any considerable consequence, to

the foreigner; and that by prohibiting its exportation, or loading it with a heavy duty, we should encourage the working of foreign mines, at the same time that we discouraged the working of our own, and deprive ourselves of the profits derivable from an export trade in coal, without getting any equivalent advantage. It is not very easy to judge between these conflicting statements, or to say how much of truth and of exaggeration may be in each. On the whole, however, it would seem to be sufficiently clear that English coal, though not indispensable, is of very considerable advantage to the foreigner. And, such being the case, the duty of 4*s.* a ton, imposed on its export by the Tariff Act of 1842, appears to have been at once moderate and judicious. The total prohibition of exportation would, perhaps, have been more injurious to ourselves than to any one else. But the policy of allowing coal to be exported duty free, is, also, we incline to think, of a very questionable description. The duty laid on it in 1842, was, of course, wholly paid by the foreigner. And, instead of being repealed, it might, perhaps, have been advantageously advanced to 6*s.* or 7*s.* a ton.

But, apart from the peculiar considerations which have to be attended to in estimating the influence of duties on articles like coal that may assist in production, enough has been said to show that duties of this sort should never be resorted to without mature consideration, and that they should not be carried to such a height as materially to diminish exportation. Taxes which have this effect labour under the double disadvantage of being at once unproductive, and hostile to the public interests.

The principle that duties on imports fall on the importers does not hold in the event of an unforeseen and extraordinary demand taking place for imported products. The duties on tea, sugar, coffee, wine, &c., are uniformly, it may be said, paid by those who buy them. Suppose, however, that owing to any circumstance or combination of circumstances, the demand for one or other, or all of these articles, is suddenly doubled or trebled: in such case the duty would fall on the sellers or foreigners, for the price they would then receive

for their products would not depend in any degree on their cost, but on the supply as compared with the demand; and would be so very great as to yield them an extraordinary profit, and make them send us all the produce they could possibly spare without regard to the duty. But having so very recently endeavoured to exhibit the working of this exceptional principle in the case of a duty on corn, almost the only one in which it is ever very likely to be exemplified, it is needless to enter into any further details with respect to it.

During the middle ages, and down to the 16th century, customs duties were charged indifferently on all sorts of commodities, whether exported or imported. The duty on wool sent to the Netherlands, France, &c., was formerly, indeed, the principal item in the customs revenue of this country. But since the ascendancy of the mercantile system it has been otherwise. To encourage the exportation of domestic produce, and to discourage the importation of foreign produce, was, according to its professors, the only sound commercial policy. And it is to the prevalence of this system in modern times, and its influence over financial and economical legislation, that the almost total exemption of exported commodities from duties, and the ruinous extent to which they have been heaped on those allowed to be imported (for many have been wholly prohibited), are, in great measure, to be ascribed.

The reader will not expect that we should enter into any lengthened reasonings to show the advantages of commercial freedom and the disadvantages of the mercantile or restrictive system of policy. This would be inconsistent alike with the objects and limits of this work, and it would, besides, be wholly unnecessary. It has been demonstrated, over and over again, that, speaking generally, restraints on the freedom of commerce, or on the territorial division of labour among different nations, are adverse to the progress of real opulence and lasting improvement; and that the advantage which they sometimes confer on particular classes of persons or businesses is uniformly accompanied by a more than corresponding loss

to the public. Providence, by giving different soils, climates, and natural products to different countries, has evidently intended that they should be mutually dependent upon and serviceable to each other. Were no artificial obstacles thrown in the way of their intercourse, every people would naturally engage, in preference, in those employments in which they have a superiority, exchanging portions of their own produce for the products that may be more advantageously procured from others. By exciting industry, rewarding ingenuity, and employing most efficaciously the peculiar powers bestowed by nature, an unrestricted commerce distributes labour as best suits the genius and capacities of every people. It makes mankind acquainted with numerous productions of which they would otherwise be entirely ignorant; and, while it gives them new tastes and new appetites, it excites the desire and affords the means of gratifying them. It enables each particular people to profit by the inventions and discoveries of all the rest; and, by bringing the home producers into competition with foreigners, it stimulates their industry and invention, and forces routine to give way to emulation. The division of labour is, consequently, carried to the furthest extent, the mass of necessary and useful products vastly augmented, and opulence generally diffused. To suppose, indeed, that commerce may be too free, is equivalent to supposing that labour may be too productive; that the objects of demand may be too much multiplied, and their price too much reduced. It is like supposing that agricultural improvement may be carried to excess, and the crops rendered too luxuriant!

But notwithstanding the overthrow of the mercantile system, the statements already laid before the reader, and the competition that prevails among different countries in all departments of industry, render it highly improbable that duties on exports should, except in very peculiar cases, be made to yield any considerable amount of revenue. Hence it is satisfactory to know that moderate duties on imports are among the most productive and least objectionable taxes. They are collected with the greatest facility, involving no inquiry into the circumstances of individuals, as is the case with taxes on

income or property, nor any interference of any sort with the processes carried on in the arts, as is sometimes the case with excise duties. By allowing imported goods to be lodged in bonded warehouses, the revenue is protected without compelling the importer to pay the duties till the goods be withdrawn for consumption; and little or no additional capital being required by the merchant, little or no addition is made to the price of the goods through the previous advance of the duties. It is, no doubt, true that, if duties on imports be carried to such a height as to oppose any very serious obstacle to commercial transactions, or to give an overpowering stimulus to smuggling, they become exceedingly injurious. It must be admitted, too, that finance ministers have seldom been sufficiently alive to the importance of moderation in imposing these duties; and that, partly from a wish to make them subservient to purposes of protection, and partly from mistaken views in regard to the nature of taxation, they have often carried them to an oppressive extent. Happily, however, this abuse is not of the essence of customs duties. And, supposing them to be kept within reasonable limits and judiciously assessed, it is difficult to imagine any better taxes.

Owing, principally, to the vast increase of the commerce, wealth, and population of the country, but in part also to the increase of the rates, the progress of the customs duties has been quite extraordinary. The revenue derived from them in 1596, in the reign of Elizabeth, did not exceed 50,000*l.* In 1613 it had increased to 148,075*l.*, of which 109,572*l.* were collected in London. In 1660, at the Restoration, the customs produced 426,582*l.*; and, at the Revolution, in 1689, they produced 781,987*l.* During the reigns of William III. and Anne, they were considerably augmented, the nett payments into the Exchequer in 1712, being 1,315,422*l.* During he war terminated by the peace of Paris, in 1763, the nett produce of the customs revenue of Great Britain amounted to nearly 2,000,000*l.* a year. In 1792 it amounted to 4,407,000*l.*; and in 1815, at the close of the late war with France, it amounted to 11,360,000*l.* In 1850, the gross customs revenue of the United Kingdom amounted to 22,194,142*l.*, col-

lected at an expense of 1,283,805*l.*, being at the rate of 5*l.* 15*s.* 8¼*d.* per cent. And, notwithstanding the exorbitance of the duties on tea and tobacco, no equal amount of revenue was ever raised in any country or period of time with so little difficulty and inconvenience; and there are no grounds for supposing it could be so easily or advantageously raised in any other way.

Independently of the influence which oppressive customs duties have in stimulating smuggling, those which are imposed for the purpose of protection, though they bring little or no revenue into the treasury, frequently lay heavy burdens on the public. When the importation of an article is prohibited or loaded with a high duty, the fair inference is, that it might be imported more cheaply from abroad, the prohibition and the duty being otherwise unnecessary. Now suppose, in illustration of this statement, that an article which is prohibited or burdened with a prohibitory duty costs the public 1,500,000*l.* a year, and that were the prohibition repealed, or the duty fixed at a moderate amount, it might be obtained for 1,000,000*l.* a year: in this case the prohibition or duty imposes on the public an annual tax or burden of 500,000*l.* It is material also to observe, that this heavy burden is not productive of any corresponding advantage. It may be supposed, perhaps, that it adds to the demand for labour, and that, were the article imported, the parties engaged in its production would be deprived of employment. This, however, is not the case. If a commodity be brought from abroad that has previously been produced at home, those engaged in its production are exposed to difficulties and privations in having to change their business, in the same way that the parties who produce an article by manual labour may be forced to withdraw from their employment in the event of its being produced at a lower price by new or improved machinery. But the aggregate amount of labour is not affected by these changes; and while the inconveniences resulting from them are but of temporary duration, and affect only a few individuals, the greater cheapness of the commodities is a per-

manent public advantage. A nation may, by repealing prohibitions and excessive duties, change to some extent the species of labour in demand; but if so, it will, at the same time, render it more productive, without lessening its amount. Should our imports during the current year amount to five or ten millions more than they did last year, we must provide for their payment, either directly or indirectly, by exporting an equally increased amount of our peculiar products. And hence, if exportation be desirable, importation must be so also; for the two are indissolubly connected, and to separate them even in imagination, implies a total ignorance of the most obvious principles. Commerce, whether carried on between individuals of the same or of different countries, is bottomed on a fair principle of reciprocity. Every sale supposes an equal purchase, and every purchase an equal sale. In whatever degree, therefore, an unfettered trade may lead a nation to import products from others, it will, in the same degree, render them customers for its commodities, promote its manufactures, and extend its trade.

It is further to be observed, that the mere freedom of dealing with each other does not necessarily occasion an intercourse between different places. That is a consequence of those who carry it on believing that their interests are promoted by it. If either party imagined that they would be, or were, injured by such intercourse, it would be as absolutely prevented or put an end to, as if they were separated from the others by impassable mountains or morasses. And when this is the fact, when it is the promotion of their own interests, and nothing else, that leads individuals to engage in commercial enterprises, what is there to fear from giving the same freedom to the intercourse with foreign countries that is given to the intercourse between different parts of the same country? Though the trade between France and England were as free as that between London and Newcastle, it would undoubtedly continue to be as limited as at present, unless both the English and the French found it for their advantage to extend their dealings.

The truth therefore is, that prohibitive and protective regu-

lations, if they have any effect, force capital and industry into less productive channels than those into which they would otherwise flow; and that they increase the cost and price of produce without in any degree increasing the demand for labour. We shall refer to one or two instances in illustration of the practical working of the protective system.

The duties on sugar form one of the most productive sources of the customs revenue; and are not only deserving of especial attention from their importance in this respect, and their influence over the condition of the people, but also from their setting the mischievous influence of the protective system in a striking point of view.

The duty on sugar from British possessions amounted, for some years previously to 1840, to 24*s.*, and afterwards to 25*s.* 2¼*d.* a cwt. (24*s.* plus 5 per cent.); the duty on foreign sugar being, during the same periods, 63*s.* and 66*s.* 2*d.* (63*s.* plus 5 per cent.). The latter was intended to be, and was, in fact, completely prohibitory. And, however objectionable in principle, so long as our foreign dependencies furnished sugar sufficient, not only to supply the markets of the United Kingdom, but to leave besides a considerable surplus for exportation to others, the prohibitory duty on foreign sugars was productive of little practical inconvenience. Latterly, however, it became most oppressive. In consequence of the measures connected with the emancipation of the slaves, the imports of sugar from the West Indies declined from 4,103,746 cwts. in 1831, to 2,509,701 cwts. in 1843. And though, owing to the immigration of hill-coolies, and other circumstances, the exports from the Mauritius did not decline in anything like the same proportion, and there was a considerable increase in the imports from India, they were not sufficient to balance the deficiency in the West Indian supplies. On the one hand, therefore, we had a rapidly increasing population, and on the other we had that population confined by an oppressive duty to a market for sugar, the supply of which was progressively diminishing! The consequences were such as every man of sense might have

anticipated from the outset. The business of refining for the foreign market, and our export trade in sugar, were all but annihilated; while the average Gazette price of muscovado sugar, admissible to the English markets, amounted during the three years ending with 1842 to more than double the price of foreign sugar in bond, of equal or superior quality! We beg, in illustration of what is now stated, to subjoin an

ACCOUNT of the QUANTITIES of SUGAR retained for Consumption, of the Nett Produce of the Duties thereon, and of the Prices of British Sugar (ex duty) and Brazil Sugar in bond, in 1840, 1841, and 1842, with the Averages for these three Years.

Years.	Quantities.	Nett Revenue from Duties on Sugar.	Average Prices of British Muscovado Sugar.	Average Prices of Brazil Sugar. (Brown & Yellow.)
	Cwts.	£	s. d.	s. d
1840 - -	3,594,834	4,449,070	49 1	21 6
1841 - -	4,057,628	5,114,390	39 8	20 9
1842 - -	3,868,466	4,874,812	36 11	18 3
Total -	11,520,928	14,438,272	125 8	60 6
Average of 3 years	3,840,309⅓	4,812,757⅓	41 10⅔	20 2

It appears from this statement, that while the price of British sugar (exclusive of duty) amounted, during the three years ending with 1842, to 41*s.* 10½*d.* per cwt., the price of Brazil (and Cuba) sugar was only 20*s.* 2*d.* per cwt.! And hence it follows, that had the prohibitory duty of 66*s.* 2*d.* on foreign sugar been reduced to the same rate (25*s.* 2*d.*, or 24*s.* plus 5 per cent.) as that on British sugars, the people of the United Kingdom might have bought the same quantity of sugar for 20*s.* 2*d.* that cost them 41*s.* 10⅔*d.*, that is, they might have got more than 2 lbs. of sugar for the same sacrifice it cost them to get 1 lb. The aggregate loss to the public from this preposterous arrangement of the sugar duties has been quite enormous. It appears from the above account that the average consumption of sugar, during each of the three years ending with 1842, amounted to 3,840,309⅓ cwts., which, at 41*s.* 10⅔*d.*, cost 8,040,646*l.* 19*s.*

4½*d.*; while, had we been allowed to go into the foreign market for sugar, we might have got the same quantity for 3,872,311*l.* 18*s.* 2½*d.*, being a saving in one year of no less than 4,168,335*l.* 1*s.* 5*d.*, and on three years of 12,505,055*l.* 4*s.* 3*d.* But it may, perhaps, be said, that had our ports been open to the free importation of Brazilian and other foreign sugars, the price of the latter would have been raised; and so, probably, it would: though, considering the vast extent and productiveness of the field from which sugar may be brought, we doubt whether this effect would have been very sensible. But, supposing that the opening of our ports had raised the price of foreign sugar from 20*s.* 2*d.* to 25*s.* a cwt., still the saving world have amounted to 3,240,260*l.* 6*s.* a year!—which consequently may be taken as the amount of the burden which the restriction on the importation of foreign sugar imposed on the country.

Under these circumstances the reduction of the duty on foreign sugars became a matter of the expediency of which no doubt could be entertained. But the reduction to be of any real utility required to be on a large scale; and there were, owing to the peculiar situation of the West Indian body, and their influence in parliament, great difficulties in the way of such a measure. These, however, were overcome; and the act of 1844, the 7 & 8 Victoria, cap. 28., reduced the duty on foreign sugar from 66*s.* 2*d.* to 35*s.* 8*d.* a cwt., leaving a discriminating duty of 10*s.* 6*d.* a cwt. in favour of our own sugars. And, considering the difficulties under which the planters in the West India Islands have been placed by the measures forced on them in connection with the emancipation of the slaves, and the obstacles that have been thrown in the way of their obtaining supplies of free labour from Africa and the East Indies, we are not sure that the preference given them by the above statute materially exceeded what the justice of their case appears to demand.

But besides being embarrassed by the peculiarities in the condition of our own sugar-growing colonies, this question was further embarrassed by those incident to the condition of Brazil, Cuba, and other countries in which slavery still exists.

Great Britain has, at a great sacrifice, abolished slavery in her colonies, and made every effort in her power to suppress the trade in slaves. And having done this, it was contended that in the event of her admitting slave-grown sugar to her markets, she would be acting contradictorily; and be, in fact, encouraging that slavery in Brazil, Cuba, and Louisiana, which she had suppressed, at an immense sacrifice, in Jamaica, Demerara, and the Mauritius. And, consistently with this view of the matter, the reduction of the duty on foreign sugar effected by the 7 & 8 Victoria, cap. 28., applied only to that which was produced by free labour; so that slave-grown sugar continued, in effect, to be excluded.

But, however specious, these considerations were not really entitled to much weight. The consistency of our policy in relation to slavery could be but little affected by our conduct in this particular; and the additional encouragement given to slavery by our admitting slave-grown sugars to our markets will be found to be extremely inconsiderable. We observed in relation to this subject in the former edition of this work, that "The raw material of our most important manufacture has always been and continues to be almost wholly produced by slaves. And when such is the case, when Manchester, Glasgow, Paisley, Bolton, Preston, Bury, and a host of other great towns, depend for their existence on supplies of slave-grown cotton, it really looks more like affectation and hypocrisy than any thing else to be so very squeamish about importing a few thousand tons of slave-grown sugar. And after all we do the very thing we pretend to deprecate. The encouragement to slavery in Cuba and Brazil consists in the purchase of their sugar, and has nothing to do with the mode in which it is disposed of. We send manufactured goods to the Havannah and Rio and exchange them for sugar. And having done that, we carry the sugar to Hamburg and Petersburg and exchange it for wool and flax; so that we in effect transmute the slave-grown sugar into other things, and consume it under its new form. We do not employ it to sweeten our tea or coffee; but we clothe ourselves with wool and flax, manure our lands with bones, and manufacture our paper of rags, which are all bought by it.

But suppose we had been a little more Quixotic, and that after getting the sugar we had thrown it into the sea, the result, as respects Cuba and Brazil, would have been the same. They have got value for their sugar. We, the people of England, give, by buying it, all the encouragement in our power to the slavery that exists in these countries. What we shall do with the sugar is our own affair; and whether we use it, sell it to others, or destroy it, is, as far as slavery is concerned, quite immaterial. But it is by no means immaterial as respects our trade with slave-holding countries; for, while this ostentatious display of mock humanity fails to excite any feeling save that of derision, the preference we give to others tempts them to lay heavy discriminating duties on our products, and to depress and embarrass our trade. And even were it as desirable as it is the reverse, it may be doubted whether it be in our power to exclude slave-grown sugar. Certificates of origin will, we apprehend, turn out to be rather a slender security for this result. But supposing them to be effectual, the consequence will be that, a larger quantity of Java and Manilla sugar being consumed in England, less of it can be sent to the Continent, where, by means of our policy, a corresponding market will be opened for slave-grown sugar.

"It were really, therefore, to be wished that we should cease to rave, as we have done for the last twenty years, about slavery; and that we should buy sugar as we buy cotton and other things without inquiring how, or by whom, it is produced. We may be assured that we should give as little encouragement to slavery by so doing as we give by our present system; while we should give considerably greater facilities to our trade."

We are glad to have to state that the legislature has recognised the justness of these views. The act of 1846, the 9 & 10 Vict. cap. 63., admitted all foreign sugars, without reference to the means by which they were produced, to our markets at the same rates of duty. This statute also made sundry changes in the duties, and provided for their complete equalisation on British colonial and foreign sugars in 1851.

But this equalisation was afterwards deferred by the 11 & 12 Vict. cap. 97. till 1854.

Mr. Huskisson stated in his place in the House of Commons in the debate on the sugar duties on the 25th of May, 1829, that "in consequence of the present enormous duty of 27*s.* a cwt. on sugar, the poor working man with a large family, to whom pence were a serious consideration, was denied the use of that commodity; and he believed he did not go too far when he stated *that* TWO-THIRDS *of the poorer consumers of coffee drank that beverage without sugar.* If then the price of sugar were reduced it would become an article of his consumption, like many other articles, woollens for example, which are now used for their cheapness, which he was formerly unable to purchase." (Speeches, iii. 455.) This statement has been fully verified by the fall that has taken place of late years in the price of sugar, occasioned partly by the reduction of the duties, and partly by the admission of foreign sugars to our markets. In 1840, for example, under the old system, 3,594,407 cwts. of sugar were entered for home consumption. In 1846, after the old system had been a good deal modified and the duties had been considerably reduced, the entries amounted to 5,220,248 cwts. And in 1850, when the duties on British colonial sugar had been still further reduced, and all sorts of foreign sugars admitted on reasonable duties, the entries for consumption rose to 6,091,492 cwts. (See statements in regard to Sugar in the Appendix.)

According to existing arrangements, the duties on British colonial and foreign sugars will be equalised in 1854, and will then be at the rate of 10*s.* a cwt. on muscovado. So far as British sugar is concerned this appears to be a very moderate duty. We do not indeed think, had it been fixed at 12*s.* a cwt., that it could have been fairly objected to on the ground of its being too high. But, as already stated, the justice of admitting foreign sugar at the same duty as the sugar of our colonies is doubtful. The Brazilians and Cubans have ample supplies of compulsory or slave labour*, and have

* This also is the case, to some extent at least, with the Javanese.

consequently a great advantage over our colonists. And it would, therefore, appear that a reasonable differential duty of some 7*s.* or 8*s.* a cwt. in favour of the latter may be required to place them on a like footing with their rivals.

The revenue from sugar amounted in 1844, when at the highest, to 5,203,270*l.*; and, notwithstanding the great reductions in the duty in the interval, it amounted in 1850 to 3,844,441*l.* And it is probable that this decrease is more apparent than real; and that it is, in part at least, compensated by an increase in the consumption of tea, coffee, and cocoa, to the extensive use of which sugar is indispensable. Its cheap supply is also of great advantage to the lower and middle classes by enabling them to turn fruit to the best account. Indeed, with the exception of corn and butcher's meat, there is no article of which an abundant supply at a reasonable price is more desirable than sugar; or which is more important to the well-being of the people and the commerce of the empire.

In France, the results of the protective system, in the case of sugar, have been still more injurious than in England. The manufacture of sugar from beet-root began in France during the exclusion of colonial products in the reign of Napoleon, and received a severe check at the return of peace by the admission of West Indian sugars at a reasonable duty. It is probable, indeed, that it would long since have been entirely extinguished, but for the great additions made to the duties on colonial and foreign sugars in 1820 and 1822. After the last-mentioned epoch, however, the production of beet-root sugar began rapidly to increase. And such was its progress, that, though in 1828, its produce did not exceed 4,000,000 kilogs., it amounted, in 1838, to 39,199,408 kilogs.! But this extension of cultivation, instead of being of any advantage, entailed a heavy loss on the public, inasmuch as the beet-root growers sold their sugar, which paid no duty, at the same rate that the colonists sold theirs, which furnished a large revenue to the treasury. It was not possible that such a system could be permanent. And the well-founded complaints

of the colonists of the injustice of which they were the victims, enforced by the rapid decline of the revenue derived from sugar, which, indeed, was threatened with total extinction, occasioned the imposition, in 1838, of a duty of 16 fr. 50 cents per 100 kilogs. (about 6*s.* 9*d.* a cwt.) on beet-root sugar, which, in 1840, was increased to 27 fr. 50 cents (about 11*s.* a cwt.). But even this last increase left a differential duty (or bounty) of 20 fr. per 100 kilogs. in favour of beet-root sugar, as compared with colonial raw sugar; so that, while the beet-root cultivators affirmed they would be ruined, the colonists vehemently complained of the preference given to the latter. It was, indeed, known, from the facility with which the beet-root growers had previously contrived to evade the duty, that its increase would not be so injurious to them as was supposed, but the manufacture sustained notwithstanding a severe check, and sundry plantations were abandoned.

But further and still more considerable changes have since been made in the conditions under which the culture of beet-root is carried on. In 1842, it was proposed, in order to get rid of the difficulties in which it had involved the country, to grub up the plantations, paying the planters 40,000,000 fr. (1,600,000*l.*) as an indemnity for their loss! And, harsh as it may appear, we incline to think that this proposal was, on the whole, the best that could have been made, inasmuch as it would have terminated the matter at once on an equitable principle. It was not, however, adopted; but in the course of next session it was resolved annually to raise the duty on beet-root sugar by 5 fr. per 100 kilogs. till the duty on it should be equalised with the duty on colonial sugar. This system came into operation on the 1st of August 1844; and in August 1848, the nominal equalisation of the duties was effected. It was supposed that this measure, if fully carried out, would go far to annihilate the growth of beet-root sugar in France. This, however, has not been the case, partly because of the important improvements that have been made in the growth of beet-root and its manufacture into sugar, and partly and principally because of the falling off in the supplies

of sugar from the French colonies, occasioned by the emancipation of the slaves in 1848* and the high differential duty on foreign sugar. These circumstances have given the beet-root growers an all but complete monopoly of the home market, and there has been, since 1848, a great rise in the price of sugar in France, and a rapid increase in the supplies from beet-root, the quantity of the latter produced in 1850-51 having amounted to 76,151,128 kilogs. But, though advantageous to the beet-root growers, this rise of price has been injurious to every one else, and has been followed by a great decline of consumption, of trade, and of revenue. The subject has, in consequence, again forced itself on the consideration of the legislature; and it has been proposed, besides reducing the duties on colonial and home-grown sugars, materially to reduce the present differential or prohibitory duties on the sugar of foreign countries. Should this measure be carried it will most likely occasion a fall in the price of sugar. But the extent of the fall, and the influence of the measure over the culture of the beet-root, will mainly depend on the amount of the differential duty to be left on foreign sugar. This, in fact, is to be regarded as a premium on the growth of beet-root and colonial sugar. And the general opinion seems to be, supposing this premium to be confined within reasonable limits and the duty on beet-root sugar to be fairly collected, that the production of the latter will with difficulty be continued. It is not improbable, indeed, that it may, in the end, have to be relinquished. Such is the state of a branch of industry that has cost France an immense sum. And such is the usual result of attempts to bolster up and protect, by dint of custom-house regulations, businesses for the successful prosecution of which a country has no real or acquired advantage.†

* In 1845 the imports of sugar into France from her colonies amounted to 102,000,000 kilogs.; in 1848, the year of the emancipation of the slaves, they amounted to 62,000,000 kilogs.; and in 1850 they had declined to about 46,000,000 kilogs.

† For a full account of the sugar trade, and of the duties on sugar, see "Commercial Dictionary," art. SUGAR.

It is hardly necessary to state that care should be taken, in imposing customs duties, to assess them principally on articles of consumption; and that, if exacted at all, they should be made to press lightly on articles required for the successful prosecution of any manufacture or other employment which it is deemed advantageous to carry on at home. The expediency of keeping this principle steadily in view, is so obvious as hardly to require illustration. It was neglected, however, in the case of the former duties of about 3*s.* a cwt. on cotton wool, and of 1*d.* and $\frac{1}{2}d.$ per lb. on sheep's wool, which, though not in any degree oppressive, were much and, perhaps, justly objected to. It would appear from the comparatively stationary state of the woollen manufacture that of the two the duty on sheep's wool, which was repealed in 1844, was the more objectionable. The continued extension of the cotton manufacture seems to show that it had been little, if at all, obstructed by the duty. Undoubtedly, however, it must have affected the price of the coarser and heavier descriptions of fabrics, in the production of which the foreigner has the greatest advantages on his side. And independently of this, so large a portion of our population is dependent on the cotton trade, and its prosperity is so essential to the prosperity of the empire, that the policy of charging the material with any duty, however light, could with difficulty be vindicated. This was the view of the matter taken by Sir Robert Peel, by whom the duty was repealed in 1845.

But, though apparently obvious, the policy of exempting the materials of manufacture from all or any but inconsiderable duties, has been lost sight of on other occasions. Previously to 1824, for example, the duties on foreign thrown, or organzine silk, amounted to no less than 14*s.* $7\frac{1}{2}d.$ per lb.; those on raw silk, from Bengal, being at the same time 4*s.* per lb.; and on silk from France, and elsewhere, 5*s.* $7\frac{1}{2}d.$ per lb. With such exorbitant duties on the material, no surprise needs be felt at the little progress made by the manufacture; or that, though foreign silks were excluded, it was generally in a languid and sickly condition. Mr. Huskisson was fully aware of their pernicious influence; and in 1826, when he repealed the prohibition against importing silk

goods, he reduced the duty on raw silk to 3*d.* per lb., and that on organzine to 7*s.* 6*d.*; and they have since been reduced, the former to 1*d.*, and the latter to 1*s.* The influence of this change has been most beneficial. And notwithstanding the injury done to the manufacture by the competition of cottons and woollens, and their substitution for silks, it has been more improved and extended since 1826, than in the course of the previous century.

The duties on timber afford another instance in which the principle of not over taxing the materials and means of manufacture was lost sight of; and it is not going too far to say that these duties were for many years, from their magnitude and the mode of their assessment, among the most objectionable in our tariff. If, indeed, there be one article more than another of which it is of importance that a manufacturing nation, like Great Britain, with a great warlike and mercantile navy, should have a large supply of the best quality, and at a low price, that article is timber. Without good and cheap timber you cannot have good and cheap ships, houses, and machinery. Yet, singular as it may seem, we burdened for a lengthened period this indispensable article with an enormous duty. This, however, was the result rather of protective than of fiscal considerations; for, by making the duty on timber from the north of Europe 55*s.*, and that on timber from our North American possessions only 10*s.* a load, we added largely to the price of the former, and forced the importation of the latter, notwithstanding it was less suitable for many purposes. And, though greatly modified, this objectionable system is not yet wholly abandoned. In 1842 Sir Robert Peel reduced the duty on foreign timber to 25*s.* a load, which was a wise and a judicious measure. But the duty of 10*s.* on colonial timber was then, also, reduced to 1*s.*, so that the differential duty continued to be such as to hinder any material change in the course of the trade; while, as there was little decline in the price of colonial timber, the heavy loss to the revenue was not fully compensated by the advantage to the consumer. In 1846 the duty on foreign timber was further reduced to 15*s.* a load, and in the course of the present year (1851) it has been again reduced to half

that amount, or to 7*s.* 6*d.* a load*, which, if it is to be retained, is as low as it should be, if, indeed, it be not too low. Certainly, however, there is no good reason why the duty of 7*s.* 6*d.* should not be extended to colonial timber. It may, no doubt, be said that the better plan would be entirely to repeal the duty; but we should be inclined to dissent from such a proposal. Except, perhaps, on ships, the duty, supposing it to be extended to colonial timber, is now so limited in its amount that it can have no sensible, or, at all events, no prejudicial effect. It must, however, be allowed that it is against all principle to admit foreign built ships duty free to the privileges of British ships, at the same time that a duty is laid on the timber employed in building the latter. But this contradiction might be obviated without sacrificing the timber duties, by the easy expedient of allowing ships to be built in bond.

The influence of the high duty, and other restrictions on the importation of iron into France, may also be referred to in illustration of the mischief arising from the want of respect for the principle referred to above. Everybody knows that a cheap and abundant supply of iron is indispensable to the perfecting of machinery, and to the progress of arts and manufactures. But while the government of France has been endeavouring, for many years back, to encourage manufactures, it has at the same time gone far to nullify its efforts, by preventing or greatly narrowing the importation of foreign iron. The greater part of the iron produced in France is smelted by means of wood, and costs from a third to a half more than the iron smelted by pitcoal in this country; and it is quite certain, that, while this discrepancy continues, the attempts of the French to rival us in manufactures must prove total failures. Instead, however, of opening their ports to the free importation of British and other foreign iron, they

* Act 14 & 15 Vict. c. 62. This statute has no special reference to any description of timber, and has, therefore, really equalised the duties. But this not being intended, colonial timber continues to be admitted at the low duty.

either exclude it or burden it with heavy duties. And thus, for the sake of the forest proprietors, and of those who have capital vested in forges and iron-works, they lay as it were the industry of the country under a species of proscription, compelling the agriculturists and manufacturers to use inferior tools and machines, costing nearly double the price of the superior articles used by their foreign competitors! Were we anxious for the depression of industry in France, we should wish for nothing more than that this system should be persevered in; but we disclaim being actuated by any such feeling. The progress of France in wealth and civilisation cannot fail to redound to the advantage of surrounding nations. And we are desirous that her ingenious and industrious inhabitants should be allowed fully to avail themselves of all the advantages of their admirable situation and varied means of production.

But, however objectionable, this much may be said in explanation of the prohibitions and heavy import duties imposed in this and other European countries, that the mercantile system of policy, of which they are the fruits, grew up in a comparatively unenlightened period, before the true principles of commercial intercourse had been elucidated; and that, notwithstanding the strenuous opposition of interested and powerful parties, many prohibitions and oppressive duties have been abolished or reduced, and a great advance made almost everywhere towards a more liberal and enlightened policy. In America it has been otherwise. The prohibitive system is there of recent origin, and did not grow up in obscurity and ignorance under the fostering shade of false theories, but in a period of general illumination, long after the "Wealth of Nations" had been in universal circulation, and every statesman in Europe had admitted the soundness of its doctrines. America has been not merely a "city of refuge" for the poor and persecuted inhabitants of the old world, but also for the exploded errors and pernicious sophisms of the mercantile school. Her former tariffs and her existing banking system would discredit any people of

the fifteenth or sixteenth century. The first diverted industry into insecure and unproductive channels, while, by occasioning alternate gluts and scarcities of money, the latter shakes all confidence in engagements, diffuses a gambling spirit, and weakens the sense of honour and the obligations of good faith.

Every one at all acquainted with the condition of America, with her boundless tracts of fertile and unappropriated land, her scanty population and high wages, knows that agriculture and its immediately dependent employments will for a long series of years be the most profitable species of industry in which the bulk of her people, especially in the newly settled states, can engage. At the same time, a great variety of important branches of manufacture, suited to her peculiar situation, have been established in many parts of the Union. And these will progressively gain ground, and others will be founded without any artificial encouragement, as population becomes denser, and the advantages on the side of agriculture are diminished. But to force by means of duties and prohibitions the premature growth of manufactures, is in reality to force a portion of the industry and capital of the country into businesses in which it will be less productive than if it were left to seek out channels of employment for itself.

This, however, was the policy, if so we may call it, of the American legislature from 1816 down to 1846. During almost the whole of that lengthened period it was endeavouring, with more or less success, to bolster up a manufacturing interest by imposing high or protective duties on most sorts of manufactured goods. But this policy always encountered a good deal of opposition. It was, in truth, mainly set on foot for the sake of the Northern States, among which manufactures had been early established; and was generally opposed by the Southern and Western States, whose cotton and other products were principally sent to foreign markets. At length, after a great deal of wrangling, South Carolina took the decisive step of refusing to enforce the customs duties; and threatened, if coercion were attempted, to repel force by force,

and to withdraw from the Union. This was a death-blow to the high duties of the old tariff. Congress now saw, what most unprejudiced persons had long anticipated, that it was necessary to recede. An act, commonly called the "Compromise Act," was passed in 1832, which provided that certain reductions were gradually to be effected in the customs duties between that year and 1842, when they were to be mostly reduced to 20 per cent. *ad valorem*. But this act was not allowed to run its full course; for, the party in favour of high duties having acquired the ascendency, a new tariff, framed on the protective principle, was enacted in 1842. Happily, however, this tariff was unable to maintain its ground. And the party in favour of moderate duties, having been strengthened by the rapid increase of the Western States, and the example of England, carried, in 1846, a new and more liberal tariff, which is still in force.

The duties in this tariff mostly vary from 40 to 5 per cent. *ad valorem*. With the exception of wine, the 40 per cent. duty applies to few articles of importance. This, however, is not the case with the 30 per cent. duty, which applies to pig and bar iron*, hardware, woollen goods, leather do. &c.; nor is it the case with the 25 per cent. duty, which applies to cottons, silks, and worsteds. But were the 30 per cent. duties reduced to 25 or 20 per cent., there would be little in this tariff to which any good objection could be made. Excepting the comparatively small sums derived from the sale of public lands, and the post-office, the customs duties constitute the only source of the public revenue. They produced in 1850 the sum of 39,500,376 dollars. Those which do not exceed 25 or 20 per cent. cannot with any propriety be said to be protective duties, but are to be considered as being really imposed for

* Notwithstanding the increase of iron-works in the United States, the imports of iron (mostly from England) are very large; and being indispensable to the construction of agricultural and manufacturing implements, the duty on it is the most objectionable in the tariff. But, though it should not exceed 15 per cent., an attempt was recently made, which, however, proved unsuccessful, to make a large addition to the existing duty.

the legitimate object of raising a revenue in the least oppressive manner. Little, therefore, is now required to make the tariff of the United States in all respects unexceptionable. And as it is, it is a vast improvement on the tariffs by which it was preceded.

It appears, therefore, that we are not always, nor even generally, to estimate the pressure or influence of customs duties by the amount which they bring into the coffers of the treasury. They may, according to the mode in which they are imposed, be oppressive without being productive, and productive without being oppressive. If they be imposed for the purpose of protection, or if, while imposed for the legitimate purpose of raising revenue, they be carried to such a height as to occasion smuggling, they may keep or take large sums out of the pockets of the people, while they add but little to the revenue. In Spain, the customs duties imposed previously to 1849*, would appear, estimated by their produce in the official accounts, to be moderate in the extreme. And yet, if we look at the overpowering stimulus which their excess gave to the practice of smuggling, which carried fraud and violence into every corner of the country, it will be found that they were really most oppressive. But, as previously stated, these are not legitimate consequences of customs duties, but originate in their wilful abuse. They should never be imposed in the view of bolstering up or protecting any branch of industry, unless in the event of its being affected by peculiar burdens or drawbacks; they should never be carried so high as to give an irresistible temptation to the practice of smuggling; and they should press lightly on the articles necessary for the successful prosecution of domestic industry. Provided these conditions be kept in mind in their imposition, we are not aware of any tenable ground on which customs duties can be objected to. Indeed

* In that year they were materially modified, See "Commercial Dictionary," art. Cadiz.

they appear, when rightly assessed, to possess in a very high degree all the distinguishing attributes of good taxes.

When a customs or excise duty is imposed on any article for which another article may be conveniently substituted, it is necessary, to make the duty effectual, that it should be extended to the latter. It would not, for example, be possible to raise any considerable revenue by taxing one variety of tea, or one variety of spice, or of sugar, or of wine, without taxing the other varieties, inasmuch as the tax, by increasing the price of the variety on which it was laid, would discourage its consumption, and encourage the consumption of the others. The substitution of chicory for coffee is an instance in point. Our readers are, no doubt, generally aware that the roots of chicory (*cichorium intybus*, wild endive), when dried and ground, bear a strong resemblance to ground coffee; and that they are extensively employed in Prussia, France, and other parts of the Continent as substitutes for the latter. A few years since, ground chicory began to be brought into this country for the adulteration of coffee. And to prevent the loss of revenue and the frauds that its continued importation would have occasioned, it was soon after charged with the same duty as coffee.

Nothing, however, was said in the act imposing a duty on foreign chicory respecting that raised in England, perhaps from the plant having been previously cultivated merely for its herbage. But soon after the importation of chicory powder was stopped, it was found that it might be profitably manufactured in various parts of the kingdom; and so rapidly has the culture of the plant and the preparation of the powder extended, that it has been stated by the best authorities that from 12,000 to 13,000 tons a year of the latter are now annually produced! Very little, however, if any, chicory is sold as such, it being all, or mostly all, used as a substitute for, or rather as a means of adulterating coffee. And this fraudulent practice has been indirectly legitimated by a Treasury Minute of the 4th of August, 1840, which has the following words, viz.,—

"My Lords do not consider that any measures should be enforced to prevent the sale of coffee mixed with chicory, and are of opinion that the prosecutions in question should be dropped.

"My Lords do not consider such admixture will be a fraud upon the revenue so long as the chicory pays the proper duty; and as between the seller and the consumer, my Lords desire that government should interfere as little as possible."

But, in fact, chicory pays no "proper duty," or indeed any duty at all. It is, as already seen, a home product free of duty, which is permitted to be substituted for, and sold under the name of a colonial and foreign product charged with a duty of 3*d.* per lb., or 28*s.* per cwt.* Here we have protection in its most objectionable form, for it is allied with fraud. It would, we admit, be very difficult, or rather, perhaps, impracticable, to prevent, under any system, the adulteration of coffee with chicory and other matters. But that is no sufficient reason why such adulteration should be legalised. The effect of this licence is to tempt many tradesmen to sell coffee as genuine when it is alloyed with chicory, or chicory by itself as coffee, because such proceedings are legal, who would do nothing of the sort were they declared to be illegal. It is, in truth, giving the sanction of government to a fraudulent and dishonest practice. And besides being in itself extremely objectionable, it affords a precedent for, and a sort of justification of, other practices of the same kind. It would seem, therefore, that the Minute in question should be cancelled, and that the parties who sell chicory for coffee, or who adulterate the latter with chicory or other materials, should be subjected, on detection, to suitable punishment; or if not, that chicory raised at home should be charged with the same duty that is laid on the coffee for which it is substituted. This would satisfy the justice of the case; and it might also be satisfied by destroying the chicory-grounds and mills

* Since the 15th of April 1851. The duties on British colonial and foreign coffee, which previously to that date were respectively $4\frac{1}{3}d.$ and $6\frac{1}{10}d.$ per pound, were then equalised, and reduced to 3*d.* per pound.

(which cost but little), compensation being at the same time made to their owners.

But though it can hardly be expected that this latter alternative should be adopted in the case of chicory, it was adopted, as our readers are probably aware, in the case of tobacco. This plant was early introduced into England; and though its cultivation was prohibited by James I., who had a horror of the drug, and Charles I., it appears to have speedily made considerable progress. The increased consumption of the tobacco brought from the plantations having soon after attracted the attention of the government financiers, a duty was laid on it in 1643. It then, of course, became necessary to consider how tobacco of native growth should be treated; and the Lords and Commons, by whom the duty on plantation tobacco had been imposed, being aware that to make it effectual they must either prohibit the growth of tobacco at home or burden it with a corresponding duty, adopted the latter alternative. The facility, however, with which this duty was evaded soon satisfied the republican leaders that more stringent measures were required to render tobacco a prolific source of revenue; and in 1652 an act was passed prohibiting its growth in England, and appointing commissioners to see its provisions carried into effect. This act was confirmed at the Restoration, by the 12 Charles II. cap. 34., which ordered all tobacco plantations to be destroyed. These measures were believed, at the time, to have been brought about by the solicitations of the planters; but their real intention was not so much to conciliate or benefit the latter, as to facilitate and secure the collection of a revenue from tobacco, And, considered in this point of view, their policy seems unexceptionable.

These measures did not, however, extend to Scotland and Ireland, in which the culture of tobacco was authorised down to a comparatively recent period. Its cultivation in the former, after being long very trifling, began about the middle of last century rapidly to increase; and various regulations were from time to time enacted for the assessment and levy on native tobacco of the same duty that was paid by the

tobacco brought from the plantations. But it was again found that this could not be done, and that either the culture of tobacco at home must be suppressed or the revenue be seriously injured by the introduction of quantities into consumption which had escaped the duty. Under these circumstances the English precedent of 1652 was followed; and by carrying out the provisions of the 22 Geo. III. cap. 72., passed for the purpose, the tobacco plantations of Scotland shared the fate of those of England.

Though proscribed in Britain, the culture of tobacco continued to be legal in Ireland; and began, especially during the present century, to be rather extensively carried on in some parts of that country. But it has there, also, been suppressed by the act 2 Will. IV. cap. 20., the vigorous enforcement of which, despite the clamour it occasioned, was highly creditable to government.

Duties on imports and exports have been levied in almost every country which has had any foreign commerce. The Athenians laid a tax of a *fifth*, or 20 per cent., on the corn and other merchandise imported from foreign countries, and also on several of the commodities exported from Attica.* The *portoria*†, or customs payable on the commodities imported into and exported from the different ports of the Roman empire, formed a very ancient and important part of the public revenue. They were imposed, as Tacitus has observed, when the spirit of liberty ran highest among the people. *A consulibus et tribunis plebis institutæ, acri etiam populi Romani tum libertate.* (*Annal.* lib. xiii. cap. 50.) The rates at which they were charged were fluctuating and various, and little is now known respecting them. Cicero informs

* Anacharsis's Travels, iv. p 375. Eng. Trans. The quantity of corn usually imported from the countries on the Euxine into Athens amounted to about 400,000 medimni. See Clarke on the "Connexion between the Roman and English Coins," p. 58.

† "Huic vero proprie *vectigalis* denominatio convenit, quippe pro vehendis mercibus (unde *vectigal*) soluto." (Burman. "De Vectigalibus Pop. Rom." cap. v.)

us (in ii. Ver. cap. 75.) that the duties on corn exported from the ports of Sicily were in his time 5 per cent. Under the imperial government the amount of the *portoria* depended as much on the caprice of the prince as on the real exigencies of the state. Though sometimes diminished, they were never entirely remitted, and were much more frequently enlarged. Under the Byzantine emperors they were as high as $12\frac{1}{2}$ per cent.*

Customs duties existed in England previously to the Conquest. They appear to have derived their name from having been immemorially or customarily charged on certain articles when conveyed across the principal ferries, bridges, &c., within the kingdom, and on the exportation and importation of these and other articles to and from parts beyond seas. It is expressly stipulated in Magna Charta that foreign merchants shall have safe and sure conduct to come into England and to carry on their traffic without being subject to any unsual tolls, but only to the ancient and rightful customs (*antiquas et rectas consuetudines*). It is worthy of mention, that the customs referred to in this clause were let in farm, in 1202, the fourth year of King John's reign, for 1000 marks. In 1206, the customs revenue, including the profit accruing to the king from fairs and markets throughout England, produced only 4,958*l.* 7*s.* $3\frac{1}{2}d.$†

These statements sufficiently evince the error of Blackstone‡ and those who suppose that the king's first claim to the customs was established in the reign of Edward I. They certainly formed a part, though an unimportant one, of the revenue of his predecessors. But that able and politic prince, by rendering the levy of the old duties more effectual, and procuring the sanction of parliament to the imposition of new duties, was the first to make the customs revenue of any very material consequence. The duties in Edward's

* Burman. "De Vectigalibus Pop. Rom." cap. v.

† Chief Baron Gilbert's "Treatise on the Exchequer," App. i. p. 268.; Sinclair, "Hist. Pub. Revenue," i. 100.; Chitty's "Commercial Law," i. 693., &c.

‡ Com., book i. cap. 8.

reign, and in the reigns of his immediate successors, were principally laid on wool, woolfels (sheep-skins), and leather, when exported. These were called *magna costuma*. But, in accordance with the barbarous policy of the times, additional duties, or *parva costuma*, were laid on all articles when imported or exported by aliens. The duties of *tonnage* and *poundage*, of which mention is so frequently made in English history, were customs duties; the former being charged on wine by the tun, while the latter was a per centage duty on other articles, the values of which were usually fixed or rated at certain specified amounts. When these duties were granted to the Crown they were denominated *subsidies*. And as the duty of poundage had continued for a lengthened period at the rate of 1*s*. per pound, or 5 per cent., a subsidy came, in the language of the customs, to denote an *ad valorem* duty of 5 per cent. The new subsidy, granted in the reign of William III., was an addition of 5 per cent. to the duties on most imported commodities.

The various customs duties were collected in a book of rates published in the reign of Charles II.; a new book of supplementary rates being again published in the reign of George 1. But notwithstanding the issue of this new book, and the improvement effected by the act 8 Geo. I. cap. 15., which relieved a great many articles of native produce from the duties with which they had been previously charged, the customs duties and regulations became towards the middle of last century extremely numerous and unintelligible. After the Revolution the practice of affixing a certain rate or value to each article of merchandise and charging the duty accordingly, was gradually abandoned; and the contrary practice grew up of charging the duties at so much per lb., gallon, yard, or other quantity, or at an *ad valorem* rate on their value as deduced from the invoices and declarations of the merchants. Hence the mode of assessing the duties in the second book of rates differed in very many instances from the mode generally adopted in the first. And the inconvenience thence arising was greatly aggravated in the course of time by the passing of an immense number

of new acts imposing additional duties without any reference to those already existing, sometimes in one way and sometimes in another, and frequently, also, under conditions and limitations at variance with those previously enacted. The confusion that was thus occasioned was further increased by the practice of specially appropriating the duties to certain services, and the consequent necessity of each being separately calculated from the others.

The uncertainty and embarrassment growing out of such a system may be more easily imagined than described. In Saxby's work on the customs, published in 1757, and intended to be a guide to assist merchants and others in transacting their business, the duties are classed in no fewer than *thirty-nine* principal divisions; and these again are broken down into an endless number of subdivisions, having reference to different articles, &c. Under such circumstances it was hardly possible, even for the most experienced merchants, to tell the exact amount of duty affecting any article, or the course to be followed either in entering or clearing out vessels; and they were obliged to leave it entirely to the clerks of the custom-house to state the amount of duties, and to direct them how to proceed, so as to avoid the forfeiture of their goods and ships. It would be idle to take up the reader's time by pointing out the injury which such a state of things must have done to commerce; and the opportunities it afforded for all sorts of abuse.

But despite the magnitude of the evil, and the incessant complaints to which it gave rise, the difficulties in the way of any efficient change were so great that it continued without amendment till after the close of the American war. In 1787, however, Mr. Pitt introduced and carried his famous measure, the 27 Geo. III. cap. 13., for the consolidation of the customs duties. This was accomplished by abolishing all the then existing duties, and substituting in their stead single duties on each article, amounting as nearly as could be calculated to the total amount of the various duties with which it had previously been chargeable. A more simple and uniform plan was then, also, introduced for transacting business at the custom-house.

During the late war the customs duties again became very numerous and complicated; and great practical difficulty was experienced from the multiplication of the statutes relating to trade and navigation. The inconveniences occasioned by this state of things having been set forth in the Reports of a Committee of the House of Lords on Foreign Trade, in 1820, Mr. Huskisson soon after took efficient measures to have them obviated. In this view the customs duties were again consolidated in 1825 by the act 6 Geo. IV. cap. 111.; and acts were at the same time passed, consolidating and simplifying the laws relating to shipping and navigation, the colony trade, warehousing, smuggling, &c. These acts, which were drawn up with laudable brevity and clearness, were principally compiled by the late Mr. J. D. Hume of the Board of Trade, and do honour to his industry and talent for arrangement. The last consolidation of the customs duties was effected in 1845 by the Tariff Act of that year.

CHAPTER VI.

INLAND DUTIES.

These comprise, of course, all duties laid on articles produced, or on professions or businesses carried on, or on sales or transfers effected, within the kingdom, including the duties of excise, the assessed taxes, the duties on stamped paper and parchment, licences, &c. They are now mostly under the commissioners of inland revenue.

SECTION I.—EXCISE DUTIES.*

These consist of duties on articles produced or manufactured at home and paid by the producer.

* Apparently from the Latin *excidere*, to cut off.

An excise of one sort or other has existed in all modern, and, perhaps, also, in all ancient states. It was introduced into Rome by Augustus, who imposed a duty of one per cent. (*centesima rerum venalium*) on all articles, whether great or small, sold in public markets or by auction. Though extremely moderate, a duty of this sort could not fail, from the difficulties in the way of its assessment, its interference with the dealings of individuals, and the abuses to which it must have led, to occasion clamour and discontent. And these in no long time became so very prevalent, that Tiberius was obliged to declare, that the maintenance of the army, for the support of which this tax had been appropriated, depended on its being continued.* In the sequel it underwent various changes. It appears to be sufficiently well established that it applied only to Rome, and, perhaps, to some few of the other great towns. In the smaller towns its produce would not, indeed, have sufficed to defray the cost of its collection. It, therefore, had at bottom a good deal in common with the *octrois* or town duties charged on commodities, coming into Paris, and other great continental cities. But the defective mode of its assessment must have made it infinitely more troublesome and onerous.†

It is said that the first attempt to introduce excise duties into England was made in 1626 by a commission under the Great Seal. But Parliament having remonstrated against the measure, the commission was cancelled. This description of duties had, however, been previously established in Holland; and the large revenue which they afforded pointed them out to the leaders of the popular party in the great civil war as the most likely means by which they could raise funds to carry on the arduous contest in which they had embarked. They were, consequently, introduced by a Parliamentary ordinance, issued in 1643, which imposed duties on ale, beer, cider and perry, and on the makers and venders thereof. The Royalists soon after followed the example set

* Taciti, Annal. lib. i. § 78.

† Gibbon, Decline and Fall, i. 211. ed. 1838.; Dureau de la Malle, Economie Politique des Romains, ii. 459, &c.

by the Republicans; though, as the duties were from the outset exceedingly unpopular, both parties took especial care to ascribe their introduction to necessity, and to pledge themselves to their abolition at the close of the war. But they were soon found to be far too productive to be voluntarily abandoned. And after the nation had been accustomed to them for a few years, and they had been considerably increased, Parliament did not hesitate to declare, in 1649, that "the impost of excise was the most easy and indifferent levy that could be laid upon the people."* And it is worthy of remark, that the regulations embodied in Cromwell's Excise Act of 1657, authorizing officers to make searches, and directing the giving of notices, &c., are very similar to those now in force.

The same reasons that made the excise be continued down to the Restoration secured its existence subsequently to that epoch. A portion of its produce was, at the same time, as already seen (*ante*, p. 54.), assigned in perpetuity to the crown, in compensation for its relinquishing the hereditary revenues arising from wardships and other feudal prerogatives which were then abolished. And, notwithstanding Blackstone says, that "from its first original to the present time its very name has been odious to the people of England,"† it has since continued progressively to gain ground; and has for a lengthened series of years furnished a large portion of the public revenue.‡

* Blaekstone, book i. eap. 8. † Com., *ubi supra.*

‡ Johnson's prejudice against the excise is well known. In his Dictionary he has gone so far as to define it "A hateful tax levied upon commodities, and adjudged not by the eommon judges of property, but wretches hired by those to whom exeise is paid." Mr. Murray (afterwards Lord Mansfield), then Attorney-General, being eonsulted by the Commissioners of Exeise, whether this definition was a libel, and, if so, whether the author might be proeeeded against, answered, "I am of opinion that it is a libel. But, under all the circumstanees, I should think it better to give him (the author) an opportunity of altering his definition; and in ease he do not, to threaten him with an information." No farther steps appear to have been taken in the matter, and Johnson did not make any alteration in the definition. (Croker's edition of Boswell's Life of Johnson, p. 97. ed. 1848.)

It is probable, that the prejudice to which Blackstone alludes, did not originate so much in any dislike to the duties themselves, as in the peculiar circumstances connected with their imposition. Originally they were let in farm, which is always a most unpopular proceeding. And down to a recent period there was hardly a single duty the assessment of which was not made the subject of numerous lengthened, obscure, and contradictory statutes, so that it was hardly possible for any trader, however desirous to comply with the law, to avoid getting into serious scrapes. The duties being frequently, also, carried to an oppressive extent, smuggling was practised; and when a party was prosecuted, whether for an intentional or unintentional infraction of the law, or for attempting to defraud the revenue, the case might be laid before judges (without the intervention of a jury) in whose decision the public had little confidence. No wonder, therefore, that the excise should have been unpopular. But the obnoxious practice of letting the duties to farmers has been long abandoned; and of late years the laws and regulations connected with their assessment have been much simplified. In this respect, indeed, nothing should be omitted to render the rules for assessing the duties brief, level to the comprehension of every one, and calculated to interfere as little as possible with the details and processes of manufacture. And, supposing their assessment to be sufficiently simplified, and that they are of a reasonable amount, but little objection can be made to the duties because of the summary jurisdiction exercised by the commissioners and justices. On the contrary this practice has some material advantages. When parties are prosecuted in the Court of Exchequer for offences against the revenue, their case is, of course, submitted to a jury. But in this court, as in others, delays frequently take place, and the expenses are always very considerable; whereas in cases of summary jurisdiction, or those adjudged by the commissioners and justices, there is little or no delay and little or no expense. And considering that all parties who fancy themselves aggrieved by the decision of the commissioners are entitled (4 Vict. cap. 20. § 26.) to appeal, at a very trifling cost, to a

Baron of Exchequer, who rejudges the case; while those who suppose themselves aggrieved by a sentence of the justices may appeal to the quarter-sessions (7 & 8 Geo. IV. cap. 53. § 82.), there really appears to be more to approve than to object to in the summary jurisdiction.

The excise duties formerly imposed on salt, leather, candles, beer, glass, and other less important articles, have been repealed within these few years. And we doubt whether there be one of the existing duties which can be fairly objected to on principle, or for its injuriously interfering with the manufacture, or being too high. Whatever may have been the case formerly, the excise is now fully entitled to the eulogium passed upon it by Arthur Young. "Excises are by much the fairest, most equal, and least burdensome of all taxes. They are paid voluntarily. Not a shilling is contributed, but in proportion to the free consumption. The Dutch, who have been deservedly esteemed the wisest nation in Europe, in all matters of taxation, have been enabled to preserve their industry under burdens of which we have no experience and scarcely any conception, principally by their having adopted this mode of taxation."* We subjoin an account of the articles subject to excise duties in Great Britain and Ireland in 1850, with the rates of duty, and the nett produce of the duties in that year. (See next page.)

It has been objected to the excise duties that they "greatly raise the cost of subsistence to the labouring classes;" but a glance at the following tables shows that this assertion has no solid foundation. Of the sum of 13,853,436*l.*, produced in Great Britain in 1850, the duties on spirits, malt, and licences produced no less than 10,998,582*l.* In fact, the only excise duty which can be said to fall on a necessary is that on soap, which produced in 1850, in Great Britain (for this duty does not extend to Ireland), 1,065,571*l.* nett. But supposing it to amount in ordinary years to 1,100,000*l.*, it follows, taking the population at 21,000,000, that the burden which it imposes is very little more than 1*s.* a year on each individual. Hence

* Political Arithmetic, part ii. p. 46.

I. An Account of the Articles subject to the Excise Duties in England and Scotland in 1850, specifying the Rates of Duty on each, and the Nett Produce of the Duties.

Articles.	Rates of Duty.	Nett Produce of Duty in England.	Nett Produce of Duty in Scotland.	Nett Produce of Duty in Great Britain.
		£	£	£
Hops	2*d.* per lb., & 5 p. cent.	307,077		307,077
Licences	Inserted at the end	917,632	111,767	1,029,399
Malt — From Barley	2*s.* 7*d.* per bush. & 5 per cent.	4,729,610	430,762	5,160,372
Malt — From Bear or Bigg, (Scotland only)	2*s.* ditto ditto			
Paper	Paper of all kinds — 1½*d.* per lb. ditto	632,131	177,110	809,241
Post-horse Duty — For every Horse let for hire to travel post	1½*d.* per mile	125,160	16,867	142,027
Post-horse Duty — For every Horse to go no more than 8 miles from place of letting	1*s.* 9*d.*, or 1-5th of the sum charged.			
Post-horse Duty — For ditto, and not to bring back	1*s.* per mile			
Post-horse Duty — For every Horse let for hire for every day, not exceeding 3 days	2*s.* 6*d.*, or 1-5th of the sum charged.			
Post-horse Duty — Exceeding 3 days and not exceeding 13 days	1*s.* 9*d.*, or 1-5th of the sum charged.			
Post-horse Duty — Exceeding 13 and less than 28 days	1*s.* 3*d.*, or 1-5th of the sum charged.			
Post-horse Duty — Composition for Hackney Carriages in the country	5*s.* if drawn by 2 horses 3*s.* ditto 1 horse			
Post Horses' Licences	7*s.* 6*d.* per annum	4,477	458	4,935
Railways	5 per cent. on sums received for conveyance of Passengers	229,448	21,767	251 215
Soap — Hard	1½*d.* per lb. and 5 per cent.	941,191	124,380	1,065,571
Soap — Soft	1*d.* ditto ditto			
Spirits — England	7*s.* 10*d.* per gallon	2,953,000		4,808,811
Spirits — Scotland	3*s.* 8*d.* ditto		1,855,811	
Stage Carriages — Stage Carriages	1½*d.* per mile	181,731	13,849	195,580
Stage Carriages — Hackney, do. (London)	10*s.* per week	79,208		79,208
Sugar	11*s.* per cwt.			
	Total	11,100,665	2,752,771	13,853,436

Rate per cent. at which the Nett Produce was collected, 5*l.* 1*s.* 2*d.*

Rates of Duty on Licences.

	Per Annum. £	*s.*	*d.*
Auctioneers	10	0	0
Brewers of Table-beer, only not exceeding 20 barrels	0	10	6
,, 50 ,,	1	1	0
,, 100 ,,	1	11	6
exceeding 100 ,,	2	2	0
Brewers of Strong-beer, not exceeding 20 barrels	0	10	6
,, 50 ,,	1	1	0
,, 100 ,,	1	11	6
,, 1,000 ,,	2	2	0
,, 2,000 ,,	3	3	0
,, 5,000 ,,	7	17	6
,, 7,500 ,,	11	16	3
,, 10,000 ,,	15	15	0
,, 20,000 ,,	31	10	0
,, 30,000 ,,	47	5	0
,, 40,000 ,,	63	0	0
exceeding 40,000 ,,	78	15	0
Brewers, for sale by retail, not to be consumed on the premises	5	10	3

	Per Annum. £	*s.*	*d.*
Sellers of Beer only, not being Brewers	3	6	1⅝
Beer Retailers, (publicans) whose premises are rated under 20*l.* per annum	1	2	0½
at 20*l.* or upwards	3	6	1⅝
Retailers of Beer, Cider, and Perry, under 4 & 5 Wm. IV. c. 85., to be drunk on the premises (England only)	3	6	1⅝
not to be drunk on the premises	1	2	0½
Retailers of Cider and Perry only	1	2	0½
Dealers in Coffee, Tea, Cocoa Nuts, Chocolate, or Pepper	0	11	6½
Maltsters, making, not exceeding 50 quarters	0	7	10½
,, 100 ,,	0	15	9
,, 150 ,,	1	3	7½
,, 200 ,,	1	11	6
,, 250 ,,	1	19	4½
,, 300 ,,	2	7	3

	Per Annum. £	s.	d.
Maltsters, making, not exceeding 350 quarters - -	2	15	1½
,, 400 ,, - -	3	3	0
,, 450 ,, - -	3	10	10½
,, 500 ,, - -	3	18	9
,, 550 ,, - -	4	6	7½
exceeding 550 ,, - -	4	14	6
Beginners (and a surcharge) -	0	7	10½
not exceeding, 5 qrs. - -	0	2	7½
Malt Roasters - - -	20	0	0
Dealers in Roasted Malt - -	10	0	0
Paper—every maker of Paper or Pasteboard - - -	4	4	0
Passage Vessels, on board which liquors or tobacco are sold -	1	1	0
Postmasters (Great Britain) -	0	7	6
Postmasters (Ireland) - -	2	2	0
	and 1*s.* in the £		
To kill Game (Ireland) - -	3	3	0
Soap, every maker - - -	4	4	0
Spirits—Distillers - - -	10	10	0
Rectifiers - - -	10	10	0
Dealers, not retailers -	10	10	0
Dealers for retailing Foreign Liqueurs - -	2	2	0
Makers of Stills (Scotland and Ireland) - - - -	0	10	6
Chemist or any other person requiring the use of a Still (England) - - - -	0	10	0
Ditto (Scotland and Ireland) -	0	10	6
Retailers of Spirits whose premises are rated under 10*l.* per annum (United Kingdom) - -	2	4	1
At 10*l.* and under 20*l.* - -	4	8	2¼
20 ,, 25 - -	6	12	3½
25 ,, 30 - -	7	14	4
At 30*l.* and under 4 *l.* - -	8	16	4¾
40 ,, 50 - -	9	18	5½
50 or upwards - - -	11	0	6
Retailers of Spirits in Ireland, being duly licensed to sell Coffee, Tea, &c., whose premises are rated under 25*l.* per annum -	9	18	5¼
At 25*l.* and uuder 30*l.* - -	11	0	6
30 ,, 40 - -	12	2	6¾
40 ,, 50 - -	13	4	7
50 or upwards - - -	14	6	7¾
Sweets Retailers (United Kingdom) - - - -	1	2	0¼
Tobacco and Snuff—Manufacturers of Tobacco and Snuff, not exceeding 20,000lbs. - - -	5	5	0
ex. 20,000 not ex. 40,000 - -	10	10	0
40,000 ,, 60,000 - -	15	15	0
60,000 ,, 80,000 - -	21	0	0
80,000 ,, 100,000 - -	26	5	0
exceeding 100,000 - -	31	10	0
Beginners (and a surcharge on the quantity made) - -	5	5	0
Dealers in Tobacco and Snuff -	0	5	3
Vinegar Makers - - -	5	5	0
Dealers in Foreign Wine, not having Licences for retailing Spirits and Beer - - -	10	10	0
Ditto, having a Licence for retailing Beer, but not Spirits - -	4	8	2¼
Ditto, having Licences to retail Beer and Spirits - - -	2	4	1
Stage Carriage, Licence to run (Great Britain) - - -	3	3	0
Ditto, supplementary Licence -	0	5	0
Hackney Carriage, Licence to keep (England) - - - -	5	0	0

II. An Account of the Articles subject to the Excise Duties in Ireland, in 1850, specifying the Rates of Duty on each, and the Nett Produce of the Duties.

Articles.	Rates of Duty.		Nett Produce of Duty in Ireland.
			£
Game Certificates -	- - - -	3*l.* 3*s.* per annum - -	9,670
Licences - -	Nearly the same as in Britain - - -		103,824
Malt - - -	From Barley - -	2*s.* 7*d.* per bush. & 5 per cent.	230,950
	From Bear or Bigg -	2*s.* 0*d.* ditto ditto	
Paper - - -	All kinds - -	1½*d.* per lb. ditto	43,755
Spirits - -	Home-made - -	2*s.* 8*d.* per gallon - -	1,100,572
Sugar - -	Home-made - -	11*s.* per cwt. - - -	
		Total - -	1,488,771

if we estimate its annual pressure, on a labouring family of five persons, at 4*s.*, we shall not be within, but rather beyond, the mark.

Malt and Beer.—The duty on malt has been for a lengthened period the most productive of the excise duties. It was first imposed in England in 1697, and in Scotland in 1713; but it was not introduced into Ireland till 1785. Malt liquor

having early become the favourite beverage of the people of England, it might have been supposed that the consumption of malt would have increased according to the increase of the population. Such, however, has not been the case; and it is a curious fact that the consumption of malt in England and Wales varied but little from the first imposition of the duty down to 1830, though the population had, in the interval, increased from about 5,135,000 to 13,840,751. This singular result may safely be ascribed to a variety of causes, of which the increase in the duties on malt and beer (which last was substantially a duty on the malt used in breweries) had, no doubt, a very considerable influence. We question, however, whether the stationary consumption of malt, during the greater part of the 18th century, was owing so much to this as to other causes. In corroboration of this surmise we may observe that, though the duty on malt continued stationary at about $6\frac{3}{4}d.$ a bushel down to 1760, and at about $9\frac{1}{4}d.$ from that period down to 1779, and the beer-duty also continued stationary from 1697 to 1750*, the consumption did not sensibly vary, during all this lengthened period, notwithstanding the considerable increase of wealth and population. Probably, therefore, the stationary consumption of malt, down to the close of the American war, is principally ascribable to the great change that had taken place since the beginning of the century in the tastes and habits of the middle and upper classes, through the introduction of tea and coffee. Perhaps, also, something is to be ascribed to the increased consumption of spirits by the lower classes; though there can be no doubt that this increase has been exaggerated.

But whatever may have been the former influence of the duty, the oppressive extent to which it was latterly carried, coupled with the increased price of barley and the increased amount of the beer-duty, had the most powerful effect in checking the consumption of malt and beer. After various previous additions the duty on malt was raised in 1804 to $4s.\ 5\frac{3}{4}d.$ per bushel, or $35s.\ 10d.$ a quarter, the beer-duties

* Hamilton's "Principles of Taxation," p. 8.

being then also raised to 10*s.* per barrel; and as a quarter of malt produced about three barrels of beer, it follows that the duty on malt used in breweries really amounted at that period to about 65*s.* 10*d.* a quarter! The duty continued at this exorbitant rate till 1816. And it is an extraordinary fact, that during the twelve years ending with 1816 the consumpsion of malt amounted at an average to only 23,197,754 bushels a year, being 993,550 bushels less than its average annual consumption during the twelve years ending with 1720, notwithstanding the prodigious increase of wealth and population in the interval! The tax had, in truth, been completely overdone; and besides hindering the consumption of malt and malt liquors, it had the mischievous effect of vitiating the public taste and stimulating the consumption of ardent spirits, especially of those made from raw grain. In 1816, however, the duty on malt was reduced to 2*s.* 5*d.* a bushel; and since 1823 it has amounted to 2*s.* 7*d.* the imperial bushel, or 20*s.* 8*d.* a quarter; and the beer-duty having been abolished in 1830, the duty on malt has been (with the exception of that on hops) the only duty with which malt liquor has since been affected.

We do not think, notwithstanding its influence over agriculture, that the existing malt-duty is open to any good objection. It is neither excessive in amount, nor oppressive or troublesome in the mode of charge. The increase in the consumption of malt since 1830 shows that the duty no longer prevents the people from obtaining increased supplies of their favourite beverage. And as it falls on what is rather a luxury than a necessary, is collected with little difficulty and expense, and yields a large revenue, it would seem to be a decidedly good tax.

It is needless, perhaps, to say that the malt-tax, like other taxes on commodities, falls wholly on the consumers. It must, however, be admitted that its indirect operation is especially injurious to the agriculturists. Barley is a crop which is peculiarly suitable to light lands, and may be introduced with the greatest advantage, in an improved rotation, after turnip and other green crops. But it is obvious that, by imposing a

duty of 20*s.* 8*d.* a quarter on malt, the produce into which barley is almost wholly converted, the demand for the latter is materially diminished; and that the farmer may, in consequence, be, and no doubt frequently is, prevented from sowing barley, when, but for this circumstance, it might be more suitable than any other variety of corn. It is not easy to estimate the injury which this indirect influence of the tax inflicts upon agriculture, but of the fact of its being injurious there can be no manner of doubt. Suppose such a high duty were laid on bread as should lessen the demand for wheat a half, would any one presume to say that it was not especially inimical to agriculture? Or, supposing that a high duty were laid on calicoes or broad cloths, is it not clear that it would be a serious injury to the manufactures affected by it?

A duty of $3\frac{1}{2}d.$ per square yard was, in fact, imposed previously to 1831 on all printed cottons, which, like the duty on malt, fell directly on the consumers. But it was, notwithstanding, shown that it was highly prejudicial to the producers; that it narrowed the market for their goods, and tended in no ordinary degree to paralyse their energies. In consequence of these well-founded representations the duty, which produced above 600,000*l.* a year nett, was repealed in 1830. And the subsequent increase of the trade has sufficiently justified this sacrifice of revenue.

The case of the malt-duty is precisely analogous. Most part indeed, of the statements that were made to show the pernicious influence of the duty on printed cottons over the manufacture might, *mutatis mutandis*, be applied to illustrate the influence of the malt-duty over agriculture. But as we cannot afford to lose the revenue derived from the latter, it were idle to talk of its repeal. Its reduction even would be most unwise. Indeed it is now only 2*s.* 8*d.* a quarter above what Smith proposed to raise it to in 1776, in the event, which has taken place, of the duty on beer being abolished.* The malt-tax is, in truth, not only one of the very best of the existing taxes, but it is one of those which,

* Wealth of Nations, p. 402.

should any considerable increase of revenue be required, may be most advantageously raised. We do not mean by this to undervalue its sinister influence over agriculture; but where is the tax, fitted to produce between *five* and *six* millions a year*, against which some weighty objections may not be urged? No doubt, however, it gives the agriculturists a claim, though all payments on account of tithe were abolished, to have its indirect influence countervailed by a small fixed duty on foreign barley. By narrowing the demand for barley, and obliging the farmers to adopt imperfect rotations, the tax is peculiarly hostile to their interests; and being so, it is unjust to expose them, without any corresponding protection, to the competition of foreigners. Perhaps it might require a fixed duty of 2*s.* or 2*s.* 6*d.* a quarter to balance the unfavourable effects now alluded to.

The acts imposing the malt-duty, and directing how it should be assessed and collected, were some time ago exceedingly numerous, complex, and contradictory; so much so, indeed, that it was hardly possible for the most expert trader, however honest, to avoid subjecting himself to penalties. These defects have been, however, to a great extent, obviated by consolidating and simplifying the law. Still, however, the Malt Act is very lengthened, and might, perhaps, be advantageously shortened and otherwise improved.

The beer-duty, besides being, when added to the malt-duty, oppressively heavy, was in the last degree partial and unjust. It affected only the beer brewed for sale by public brewers, that brewed by private parties for their own use being exempted from its operation. And hence it fell wholly on the lower and middle classes, who did not brew any beer, while the nobility and gentry, who had brewing establishments, escaped it altogether! That such a distinction should have been made and submitted to for any considerable period may appear not a little surprising. Originally, however, the practice of private brewing was comparatively general; and the beer-duty, being at first confined within moderate

* 5,391,321*l.* nett in 1850.

limits and slowly increased, the force of habit reconciled the parliament and the country to its inequality and injustice. But the public attention having been at length forcibly attracted to the subject, and the influence of the exorbitant duties on malt and beer, in increasing the consumption of ardent spirits, clearly pointed out *, the beer-duty was repealed, as already stated, in 1830. This measure does honour to the administration of the Duke of Wellington; which is also entitled to the credit of having put an end to the old licensing system, and established, for the first time, a comparatively free trade in beer.

Paper.—Previously to 1836 the duty on paper amounted to 3*d.* per lb. on the best, and to $1\frac{1}{2}d.$ per lb. on the secondary descriptions, provided the latter "were wholly made of tarred ropes, without the tar being previously extracted." The higher rate of duty, which affected all sorts of paper used for printing and writing, varied from about 20 per cent. *ad valorem* on the finest, to about 130 per cent. on the coarser descriptions; and consequently operated (though its influence in this respect was much exaggerated) to raise the price of books and discourage literature. The tax on inferior or wrapping paper was also objectionable, for by preventing it from being made, except from one sort of material, the price of the latter was raised to an unnatural elevation, and all improvement in the manufacture well nigh obstructed. A strong temptation and great facility were, at the same time, given to smuggle, by substituting the lower sorts of the superior for the secondary descriptions of paper. Happily, however, this preposterous system was abandoned in 1836, when the duty on all varieties of paper was reduced to $1\frac{1}{2}d.$ per lb., leave being then also given to make them of any description of article. If the duty be kept up (and there is no good reason why it should be repealed) it is now as moderate and as fairly assessed as can well be desired. There being no longer any possibility of evading a portion of the duty by passing off a superior for a

* See "Edinburgh Review," No 98., art. iv.

lower paper, the vexatious surveillance formerly exercised by the excise has been almost entirely got rid of And greater scope being given to enterprise and exertion, a considerable improvement has been effected in the manufacture, and the price of paper has been reduced.

A duty on paper entails a peculiar grievance on the authors and publishers of books, by making them pay a tax on their works previously to their being brought to market, and before it can be ascertained whether they will sell. When the whole impression of a book is sold off at the publication price, the duty on paper, and the *five* copies which have to be given to public libraries, may be only a moderate deduction from the profits realised by its sale; but this is not the case in *one* instance out of *five*. More than half the books published, and three-fourths of the pamphlets, do not pay the expense of publication; and in every such case the duties have to be either wholly or in part defrayed by the authors or publishers. This is rather unfair. If tea, wine, or anything else, be imported, the importer is not called upon to pay any duty unless he sell it for consumption; and if it become unsaleable, or be damaged and have to be destroyed, it contributes nothing to the revenue. But the unlucky author of an unsaleable book pays the duty on paper in advance; and cannot claim its restitution even after his anticipations of fame and fortune are found to be wholly visionary; and his work, instead of finding its way into libraries and drawing-rooms, is packed off to the trunkmaker's and the butterman's! The *furor scribendi* is such, however, that this treatment, though it may add somewhat to the cost of successful books, has no influence in checking publication. The confidence of authors in their success is sufficiently strong to make them overlook or disregard the duty as well as the chances of failure.

But except in the respect now mentioned, which is of no great consequence, the existing duty on paper does not appear open to any good objection. Writing papers would, probably, be sold to the public by retail somewhat cheaper were it repealed; but the difference would be so very trifling that it would be of no importance to any one. And in as far as

regards books, newspapers, and other periodical publications, the repeal of the duty would not make the slightest difference in their price. The duty on a copy of the double sheet of "The Times" is about $\frac{1}{4}d.$, on a number of the "Edinburgh" or "Quarterly Review," which sells at 6*s.*, it is only 2*d.*; on Macaulay's "History of England," which sells at 32*s.*, the duty does not exceed 6*d.*, and on the "Commercial Dictionary," which is a very large volume of above 1500 pages, selling at 50*s.*, the duty is only about 7*d.* It is idle, therefore, to pretend that the existing duty on paper is any obstacle to the circulation of literature, or that books would be cheaper were it abolished. It is customary, indeed, in the cant of the day, to call it a "tax on knowledge." But the larger portion by far of the coarser descriptions of paper, on which the tax is heaviest, is not used either for letters or books, but is employed in the humbler though not less necessary functions of wrapping and packing up parcels. And with reference to the paper used in printing, the duty presses on all publications alike, on the bad as well as on the good; and is quite as often a tax upon nonsense as upon sense. Assuredly, therefore, this is about the last tax which should be repealed. Indeed we see no good objection to its being raised to 2*d.* per lb. In 1850 the duty of $1\frac{1}{2}d.$ per lb. produced 852,996*l.* nett revenue; and were it raised to 2*d.* per lb. the produce would probably exceed 1,000,000*l.* And it would not be very easy to show how any equal sum could be raised with as little inconvenience.*

Soap.—The duties on soap, originally imposed by the 10 Anne, cap. 12., have been much objected to, though probably without sufficient reason. Formerly, indeed, they were quite exorbitant. The direct duty charged on hard soap, which is by far the most extensively used, amounted, previously to 1833, to 3*d.* per lb., or 28*s.* per cwt., while the price of soap duty paid rarely exceeded 6*d.* per lb., or 56*s.* per cwt., so

* See an able article on this subject in the "Scotsman" of the 18th January, 1851.

that the duty was fully 100 per cent. But besides this enormous duty, the substances of which soap is made, viz. tallow, barilla, and turpentine, or resin, were respectively charged with duties of 3*s.* 4*d.*, 2*s.*, and 4*s.* 4*d.* a cwt.; and taking these indirect taxes into account, it may be truly stated that soap was taxed from 110 to 120 per cent. *ad valorem!* The imposition of so heavy a duty on an article indispensable to the prosecution of many branches of manufacture, and to the comfort and cleanliness of all orders of persons, was extremely inexpedient. During the five years ending with 1832, the consumption of duty-paid soap was nearly stationary; though there can be little doubt, from the increase of manufactures and population during that period, that it would have been considerably extended, but for the increase of smuggling. This practice was facilitated by the exemption of Ireland from the duty; for it not unfrequently happened that the soap made in this country, and sent to Ireland under a drawback, was again clandestinely introduced into Great Britain. It is obvious that nothing but the effectual reduction of the duty could have put a stop to the smuggling and fraud that were then so generally practised. So long as a profit of 110 or 120 per cent. was to be made by breaking the law, so long was it sure to be broken, despite the multiplication of penalties and the activity and vigilance of the officers. In 1833, however, the duty on hard soap was reduced from 3*d.* to $1\frac{1}{2}d.$; on soft, from $1\frac{3}{4}d.$ to 1*d.* per lb., and the duties on the articles which enter into the composition of soap being then also materially reduced, the temptation to smuggle was diminished in a corresponding degree. The increased consumption that followed the reduction of duty hindered the revenue from declining more than one-fourth part, or 25 per cent. And as it has again recovered its old level, the advantages resulting from the check given to smuggling, and the influence of the reduced price of the article, in facilitating industry, and in promoting habits of cleanliness, have been obtained without any considerable fiscal sacrifice.

The repeal of the soap-duty would be in some respects advantageous. But, seeing that a large amount of revenue

must be raised, and that those taxes only are productive which affect all classes of the community, the expediency of such a measure seems more than doubtful. Instead of proposing its repeal, the better plan would be to extend it to Ireland. It is not easy to see on what grounds the exemption of one part of the United Kingdom from a duty of this sort imposed on another part, is to be justified. It will be impossible to get rid of smuggling so long as this distinction exists. Were the duty extended to Ireland, the necessity for granting drawbacks on the soap exported to it, and of laying countervailing duties on that imported from it, would, of course, fall to the ground. And we feel pretty confident that, though the rate of duty were reduced from $1\frac{1}{2}d.$ to $1d.$ per lb., its productiveness would not, under such circumstances, be materially impaired even in England. Some new regulations should also be made in regard to the allowances on account of the duties made to calico-printers and other manufacturers. At present they give rise to a great deal of fraud.

Licence Duties consist, as the name implies, of sums charged for licences to carry on certain branches of industry, and to exercise certain professions; being levied upon brewers, distillers, maltsters, paper-makers, soap-makers, tobacco and snuff manufacturers, &c.; on dealers in beer, spirits, wine, coffee and tea, gold and silver plate, &c.; and on pawnbrokers, auctioneers, appraisers, &c. While, however, nothing is easier than to enact that those who carry on certain buisinesses or professions shall pay a licence duty, few things are more difficult than to assess it on a fair principle. If the same duties be laid on those engaged in different businesses or professions without reference to their extent, it is abundantly obvious that they will either be peculiarly injurious to those who carry on business on a small scale, or whose services are in little demand, or peculiarly advantageous to those who carry it on upon a large scale, or whose services are in great demand. For if, on the one hand, the prices of the commodities produced or services rendered by the former be raised to indemnify them for the tax, such rise will

more than indemnify the latter; while, on the other hand, if the price of commodities and services be not raised (as would certainly be the case in every nineteen out of twenty instances*), a burden would be imposed on petty manufacturers and tradesmen, which would not be felt by those who carry on business on an extensive scale. It is, therefore, indispensable, if we would impose licence duties on a fair principle, that reference should be had to the amount of business carried on by the parties. And in the cases of brewers, distillers, paper-makers, and generally of those engaged in businesses of which the extent is easily ascertained, there is little difficulty in assessing the tax; for, the magnitude of the businesses carried on by individuals being known, it may be assumed as a criterion of their capacity to bear a corresponding tax. No doubt it is, strictly speaking, true that the extent of the business carried on by an individual or company is no sure index of his or their profits. But we have already seen the futility of all attempts to assess taxes proportionally to real profits; so that taxes falling upon them must either be abandoned or assessed upon some assumed basis, such as the magnitude of the business whence they arise, which may, at an average, approach sufficiently near the truth for practical purposes.

Some of the existing licence duties are charged on those engaged in businesses the extent of which cannot be known. Dealers in foreign wine, for example, are burdened with a licence duty of 10*s.* 10*l.* each, though the business carried on by a first-rate house in the metropolis may be a hundred times more extensive and profitable than that carried on by a dealer in a small country town. Auctioneers, too, are indiscriminately obliged to take out a licence charged with a duty of 10*l.*, though some of them be making large incomes by their profession, while others, especially those in remote parts of the country, may hardly perhaps make enough to pay the duty. It is, indeed, quite impossible to assess such duties proportionally to the incomes of the contributors. They are conse-

* The superior class of manufacturers would, in fact, have no motive to raise their prices, and consequently it would not be in the power of the others to raise theirs.

quently liable to the objections made to capitation taxes imposed according to the rank, station, or profession of the party without reference to his means or ability to bear them. Such taxes may not be much objected to so long as they are confined, as at present, within narrow limits; but they are too contradictory of the plainest principles ever to become prominent sources of income.

It has sometimes been proposed to charge, in imitation of the French, licence duties on manufacturers and shopkeepers proportioned to the value of the buildings or works in which they carry on their business. But this value is no index of the value of the produce manufactured, or of the business transacted. Manufacturers who employ their industry upon bulky and not very valuable products, often require extensive and costly buildings and workshops, though the capital employed in the business, and the amount of profit, may be much less than that of others who carry on their business in less valuable premises. In like manner, a shop in a fashionable part of a town may cost 500*l.* a year, while a similar shop in an inferior situation may cost only 100*l.*, and yet it may, and frequently does, happen that the profit realised by the occupier of the cheaper exceeds that made by the occupier of the dearer shop. It is, therefore, quite nugatory to propose assessing licence duties on such inapplicable bases. They should be applied only to those businesses the extent of which may be easily ascertained; and when so limited, they appear to be as unobjectionable as most taxes.

A licence duty of 4*l.* on all persons travelling through the country as hawkers and pedlars, and of 4*l.* on every horse or other animal used by them, was imposed in 1697, and is still kept up. It is believed, however, that this duty was originally contrived and has been continued, rather to conciliate the shopkeepers, by whom itinerant dealers are regarded as a sort of interlopers, than with a view to the acquisition of revenue. In this latter respect, indeed, the duty is of little importance, having, in 1850, produced only 23,822*l.* But whatever may be thought of the duty at present, when well-furnished shops are to be found in most parts of the country,

and it is everywhere intersected by good roads, it might, when first established, have been justly objected to. There were then many extensive districts in the remoter parts of the kingdom without either towns or shops, while, from the badness of the roads, it was often no easy matter to visit those at no great distance. The farmers and others resident in such districts were, consequently, in great measure dependent for supplies of various articles on the visits of the itinerant dealers. And the licence duties, by diminishing the number of the latter, would also, by diminishing their competition with each other, enable them to get somewhat higher prices for their goods than if the trade had been free. At present, however, the facility of getting to shops, and the competition among the shopkeepers, go far to render the intervention of hawkers and pedlars unnecessary. But as their business affords peculiar facilities for the practice of various sorts of frauds, we incline to think that as a measure of police it may be as well, perhaps, to retain a small duty by way of registration. The existing law should, however, be revised. It is full of anomalies, and affords opportunities, which are sometimes made use of, for perpetrating acts of an oppressive and unjust description.

About the middle of last century Mr. W. Richardson, one of the best-informed merchants of his day, made a proposal *, which attracted a good deal of notice, for repealing all the taxes then subsisting, and replacing them by licence duties, charged on the consumers of certain articles. But there are innumerable objections to such a project, some of which have been pointed out by Dr. Smith. It is sufficient to observe, that if the licence duty to be paid by individuals who have expensive establishments were to be the fair equivalent of the various sums which are now directly and indirectly drawn from them, it would be so large that it would frequently be difficult for them to make, and, speaking generally, impossible

* See Essay on the Causes of the Decline of Foreign Trade. 4to. London, 1744. Dr. Smith and others have ascribed this work, but erroneously, to Sir Matthew Decker. See Literature of Political Economy, p. 329.

for the officers to enforce, its payment. As respects the inferior and labouring classes, it would be still worse. The taxes on the tea, sugar, tobacco, beer, and other articles which they make use of, being paid by degrees as the articles are wanted, are little felt, or thought of by them. But were the daily and imperceptible payments which are thus spread over a twelvemonth consolidated into a single sum, and an equivalent duty demanded for a licence to consume, it would appear to be most oppressive. The chances, indeed, are ten to one that no adequate provision would be made to meet so large an outgoing; and we run no risk in affirming that it would not be paid in one case out of fifty; and that no government which attempted to levy such a tax would exist for six months. And even if the scheme were practicable, it would be most unjust. At present a man pays according to his consumption; whereas, if licence duties were substituted for those on different articles, the prodigal and the parsimonious, the temperate and the intemperate, would be charged alike. But it is needless to dwell on such a crude project. We may be assured that it is only by taxing commodities in general demand, and by identifying, as it were, the tax with the cost of the article, that the bulk of the population can ever be made to contribute largely to the support of government.

Licence duties, or *Droits des Patentes*, are carried to a much greater extent in France than in England. They were imposed for the first time in 1791, and were intended to replace the old contributions raised under the names of *Jurandes*, *Maîtrises*, &c. Proprietors and occupiers of land are exempted from this species of taxes, which fall exclusively on the other classes. The legislation with respect to the *Droits des Patentes* is exceedingly complex, and gives rise to a great deal of litigation and dissatisfaction. The contributors are divided into five different classes; the distribution depending partly on the nature of the business in which they are engaged, partly on the population of the place in which it is carried on, partly on the extent and value of the premises, &c. It is needless after what has been stated above to enter into

any further details to show the unequal pressure of these duties. This inequality is, indeed, admitted by the French authorities, and the tax exists only because it is established, and because of the difficulty of providing a substitute. It produced, in 1842, including the *Centimes Additionels*, 35,434,500 fr., or 1,417,380*l.*

Hops. — An excise duty was imposed on all hops grown in Britain for four years, by the 9 Anne, cap. 12., which was made perpetual by the 1 Geo. I. cap. 12. The duty was originally fixed at 1*d.* per lb., at which rate it continued down to 1780, when it was raised to $1\frac{1}{5}d.$ It was subsequently increased in 1782, 1783, and other years, till in 1804 it amounted to $2\frac{1}{2}d.$ per lb.; but it was reduced in 1806 to 2*d.*, at which rate it still continues. Contrary to what might at first perhaps be expected, this duty is economically and efficiently collected, and is not supposed to interfere injuriously with the cultivation. Hops, being an exceedingly variable crop, the duty varies accordingly. In 1825, for example, it produced only 42,337*l.* 12*s.* 8*d.*, whereas in the following year it produced 476,895*l.* 14*s.* 7*d.*! In 1850 the duty produced a nett revenue of 307,077*l.*, there being at the same time 43,127 acres appropriated to the hop cultivation. The duty does not extend to Ireland.

The hop plant is a native of Britain; but its culture was originally introduced from Flanders in the reign of Henry VIII. Hops are first mentioned in the Statute Book in 1552, in the Act 5 & 6 Edw. VI. cap. 5.; and it would appear from an Act passed in 1603 (1 Jac. I. cap. 18.), that they were at that time extensively cultivated. Walter Blithe, in his *Improver Improved*, published in 1649 (3rd edit. 1653, p. 240.), has a chapter upon improvement by plantations of hops, in which he observes that "hops were then grown to be a national commodity; but that it was not many years since the famous city of London petitioned the parliament of England against two nuisances; and these were, Newcastle coals, in regard to their stench, &c., and hops, in regard they would *spoil the taste of drink*, and endanger the people: and had the

parliament been no wiser than they, we had been in a measure pined, and in a great measure starved, which is just answerable to the principles of those men who cry down all deviees, or ingenious discoveries, as projects, and thereby stifle and choke improvement."

The above, with the exception of the duties on spirits and post-horses, which will be brought under review in subsequent parts of this work, are the only excise duties at present subsisting that seem to require any partieular notice. But though no longer existing amongst us, the duties on salt, auctions, glass, leather, *candles*, and *bricks*, especially the first, occupy a prominent place in the history of taxation, and are eminently deserving of attention.

Salt.—The circumstance of salt being an article universally in demand, and all but indispensable to subsistence, has probably led to its being almost everywhere burdened with duties, and made a source of revenue. In some cases the salt-mines or brine-springs whence the salt is obtained are monopolised by government, and the produce sold at a comparatively high price, while in others it is subjected, like most taxed articles, to excise or customs duties, or both.

A duty on salt (*vectigal salis*) was established in ancient Rome, anno U. C. 547, by the consuls C. Claudius Nero and M. Livius, the latter of whom received from this circumstance the surname of *Salinator*.* At a later period the Republic appropriated to itself the entire sale of salt, which was partly produced in works carried on by slaves on the public account (*mancipes salinarum*), and partly also, as it would seem, by private parties who sold their produce to the revenue officers and farmers of the public salt works. This duty does not appear to have been deemed oppressive, or to have been much objected to. Dureau de la Malle says, *il étoit fixe, modéré, perçu à la fabrication, et ne gênait ni l'agriculture ni les contribuables.*†

* Liv. lib. xxix. cap. 37.

† Economie Politique des Romains, ii. 464.; see also Burman, De Vectigalibus Pop. Rom. p. 90. 4to. ed.

If this be a fair account of the duty on salt in ancient Rome, it may be safely affirmed that it had but little in common with the salt-duties in most modern states. The *gabelle*, or salt-duty, was early established in France, into which indeed it had been introduced by the Romans; but as different provinces of that kingdom formerly enjoyed different privileges, the rate of duty varied accordingly. It is stated by Necker that while the consumption of salt in the provinces, subject to the *grande gabelle*, or high duty on salt, amounted to only about $9\frac{1}{6}$ lb., its consumption in the *provinces rédimées* and the *provinces franches* (those which had purchased an exemption from the tax, and those in which it had never been imposed) amounted to about 18 lbs.* This well-authenticated statement shows that the duty must have operated most injuriously in the highly taxed provinces; and that it might have been considerably reduced without materially affecting the revenue. Its magnitude was not, however, its worst feature. From its being assessed on some provinces and not on others, it obliged their frontiers to be guarded with as much jealousy as if they had been so many independent states. And yet, despite the formidable obstacles thrown in its way, smuggling was carried on to such an extent that, previously to the Revolution, from 3,000 to 4,000 persons were annually sent to prison and the galleys for offences against the salt laws!† Indeed every one in any degree conversant with French history knows that the glaring inequality of the gabelle, and the suffering it occasioned, powerfully contributed to bring about that gigantic convulsion which destroyed it and so many other abuses and institutions.

Notwithstanding the painful recollections with which it was associated, the vast expenditure occasioned by the wars in which he was perpetually engaged, obliged Napoleon, in 1806, to impose a duty of 20 fr. per metrical quintal (100 kilogrammes) on salt. This duty was raised in 1813 to

* De l'Administration des Finances, ii. 12.

† Young's "Travels in France," 598.

40 fr., but was soon after reduced to 28 fr. 50 cents., at which rate it continued down to 1849. From its pressing equally on all parts of the kingdom, and not being so high as to give any considerable stimulus to smuggling, this duty was little objected to except by the proprietors of salt works. It produced in 1847 a revenue of 70,383,124 fr. (2,815,409*l.*). The consumption of duty-paid salt was estimated, at an average of the kingdom, at about 16 lbs. per head of the population, being about 2 lbs. under Necker's estimate of the consumption of the provinces exempted from the gabelle.*

But despite the productiveness and unobjectionable character of the tax, and the deficiency of the revenue, the provisional government, that grew out of the revolution of 1848, issued a decree which reduced the duty from the 1st January, 1849, to a third part of its previous amount. It would be to no purpose to criticise a measure which was dictated by a wish to conciliate popularity, and not by any appreciation of its real merits or defects. It is sufficient to say, that while it has been of little advantage to the contributors, it has increased the deficit in the revenue, and compelled recourse to be had to other and more objectionable modes of raising revenue, such as adding to the *contribution foncière*, and other impolitic taxes. It, however, appears rather probable that the salt-tax will at no very distant period be restored to its old level.

Duties on salt occupy a prominent place in the fiscal codes of Austria and Prussia. According to Tegoborski, they were equivalent in France, previously to the late reduction, to a tax of 38 kreutzers per head of the population, and in Austria and Prussia to 34·84 kr. and 32·23 kr. per ditto.†

A duty on salt, at the rate of 3*s.* 4*d.* per bushel, was introduced into England in 1694, its management being intrusted to a peculiar set of commissioners. This duty produced, previously to its repeal in 1729, a gross revenue of about 470,000*l.* a year; but the drawbacks and other deduc-

* Audiffret, "Systême Financier de la France," ii. 168.

† Des Finances et du Crédit Public de l'Autriche, ii. 268.

tions, and the expenses of collection, reduced its nett produce to less than 200,000*l.* Though a highly popular measure the country did not long enjoy the advantages anticipated from the suppression of the duty; for within two years the same minister, Sir Robert Walpole, by whom it had been repealed, proposed its revival. This inconsistency may, however, be easily explained. Walpole, though well aware of the many objections to which the tax was liable, was about this period peculiarly anxious to conciliate the support of the landed interest to his government. And in furtherance of this object he chose rather to revive the salt-duty than to add another shilling to the land-tax, which was then assessed at the low rate of 1*s.* per pound. The renewed duty began in 1732.

At the accession of George III., in 1760, the duty amounted to 3*s.* 4*d.* a bushel. It was raised during the American war to 5*s.* per bushel, and continued at that rate down to 1798, when it was raised to 10*s.* This addition to the tax having occasioned many complaints and a great increase of smuggling, a Committee of the House of Commons was appointed, in 1801, to inquire into the operation of the salt laws. Having collected a mass of evidence, by which the pernicious influence of the duty was completely established, the Committee recommended that it should be commuted for some less objectionable tax, or, if possible, repealed; declaring their conviction to be "that the salt-duties are in their consequences detrimental to the public in a degree far exceeding the payment of the tax itself." But instead of carrying out the recommendation of the Committee, Mr. Pitt added, in 1805, another 5*s.* a bushel to the duty, which was thus increased to 15*s.*, at which rate it continued till its repeal in 1823. It produced, during the latter years of its existence (including Scotland, in which, however, the duty was much less than in England), a nett revenue of about 1,500,000*l* a year.

From 1805 downwards the influence of the salt-tax was alike powerful and ruinous. The natural cost of salt being rather under 6*d.* a bushel, the duty was above *thirty* times the

price of the article on which it was laid! And it is needless to say that, with such an overwhelming temptation to smuggle, the practice was carried on to an immense extent. In his "Case of the Salt Duties," published in 1817, Sir Thomas Bernard states, that the consumption of salt in England was then supposed to amount to about 150,000 tons a year, of which only about a third part paid duty. "The contributions of the public are divided between the Crown and the thief; and while the Government collects the tax on about 50,000 tons, the thief and the smuggler receive a moderated duty on about 100,000 tons more; a circumstance inseparable from the excess and nature of the tax, and not caused by the want of pains, penalties, and perjuries, which, though multiplied tenfold, would still be inadequate to their object."*

If to its influence in encouraging smuggling, we add its influence in depressing the herring and other fisheries, which never made any real progress till after its repeal†, and in enhancing the cost and deteriorating the food of the labouring classes, it will not perhaps be easy to specify another tax among the many that have at various periods been adopted in this country of which the operation was in all respects so mischievous. It took directly and indirectly from three to four times the sum from the pockets of the public which it brought into the coffers of the treasury.

Much, undoubtedly, of the oppressiveness of the tax was ascribable to the extravagant height to which it was carried by the additions made to it in 1798 and 1805. It is probable, indeed, that its produce previously to its repeal would have been but little below what it actually amounted to had it been continued at its old level of 5*s.* a bushel. But, inde-

* Case of the Salt Duties, p. 29.

† Duty-free salt was allowed to be supplied for the fisheries, but the difficulties in the way of getting it were such as rendered this privilege little better than nominal. In the latter years of the duty instances were every now and then occurring, during the fishing season, of whole cargoes of herring becoming putrid and being thrown into the sea, from the inability of the fishermen to find sureties or bail for the requisite supply of salt, conformably to the excise laws! Macdonald's "Survey of the Hebrides," p. 513.

pendently of its exorbitance, and the stimulus it gave to smuggling, the great expense of its collection, and the innumerable ways in which it interfered with industrious undertakings, and with the subsistence of the poor, made it more than ordinarily objectionable. Hence, though various taxes which produced a greater amount of revenue have been repealed since 1815, the abolition of the salt-tax is believed to have been followed by the greatest public benefit.

We may be excused, perhaps, before quitting this part of our subject, for shortly adverting to a singular assertion of the Marquis Audiffret, who states in his valuable work on the *Système Financier de la France* (i. 56.), in vindication of the duties on salt in that kingdom, that "*depuis la remise entière du droit du sel dans la Grande Bretagne la consommation est restée à peu près ce quelle était sous le règime fiscal antérieur.*" The learned author has not mentioned whence he derived this information; but certainly we have seldom seen any statement wider of the mark. It may be affirmed, with the utmost confidence, that the consumption of salt in England is fully three times as great at present, per head of the population, as that of duty-paid salt in 1822. And though but little increase has taken place in the consumption of salt for agricultural purposes, the repeal of the duty has been of the greatest advantage to the fisheries, and to some important arts and manufactures. The quantity of herrings taken and cured of late years has been more than 50 per cent. greater than the quantity taken and cured previously to 1830, notwithstanding the abolition in that year of the bounty on which the very existence of the fisheries had previously been supposed to depend. Among other purposes to which salt has been applied since the abolition of the duty may be mentioned the preparation of artificial soda, which is now produced of so good a quality and at so cheap a rate that it has gone far to supersede the use of barilla and kelp. Salt is now also, we believe, begun to be extensively employed in the manufacture of artificial manures, a business which will most likely become of great importance. But, without laying any stress on these circumstances, the supposition that the

consumption of an article used by all classes of the population should not have been increased, notwithstanding its retail price had been reduced from about 18*s.* to 2*s.* 6*d.* per bushel, is so very extravagant that, but for the circumstance of its having been referred to by Audiffret, and other writers* of authority, as if it had been realised, we should not have thought it worth notice.

The *auction-duties*, which were first imposed in 1777, consisted of duties, proportioned to their value, charged on certain descriptions of property when sold by auction. They amounted to 7*d.* per pound on the value of estates, houses, annuities, shares in public companies, ships, funds, and some other articles; and to 1*s.* per pound on the value of household furniture, books, horses, carriages, and all other goods and chattels. The exemptions were, however, very numerous, comprising various descriptions of movable property, with all sorts of property sold by order of the Courts of Chancery and Exchequer, or for behoof of creditors, or under distress for rent, &c. These duties were strongly, and, perhaps, justly, objected to by the Commissioners of Excise Inquiry. Inasmuch as the exposure of property to sale by auction affords the readiest means of ascertaining its value, it seems unreasonable, by imposing duties on auctions, to prevent resort being had to them in the disposal of property. Certainly, however, the duties materially lessened the number of auctions. Very many, perhaps we might say the greater number, of the estates put up to auction, were merely exposed in the view of ascertaining their value, being, to avoid the duty, bought in by the exposers, and then sold by private bargain. But it is not easy to see why, if a duty is to be laid on the transfer of fixed property, it should not be made to press equally on it whatever be the mode of its transfer, or why it should be made to fall heaviest on what has been transferred by auction. The Commissioners of Excise Inquiry suggested that the auction-duties on the sale

* Tegoborski, "Finances de l'Autriche," ii. 284.

of estates and other fixed property should be commuted for a small *ad valorem* duty upon all transfers of such property conveyed by deed or written instrument, without regard to the mode in which the transfer had been brought about. And had such commutation been effected, the duty on sales of other property might have been advantageously relinquished; for, while it was of no great importance to the revenue, it pressed, from the number of exemptions, severely and unjustly on certain individuals. But the income-tax having more than supplied the previous deficiency in the revenue, Sir Robert Peel repealed the auction-duties in 1845.

Duties on property sold by public sale have been resorted to in most countries. But Spain, which has an unenviable pre-eminence in all that is bad, is the only country that has attempted to raise a revenue by taxing all transfers of property, whether by public or private sale.* The *alcavala*, or duty on sales, originally established in 1341, consisted at first of an *ad valorem* tax of 10, increased afterwards to 14, per cent., charged on all commodities, whether raw or manufactured, as often as they were sold or exchanged, being always rated according to their selling price! And this monstrous impost, which was of itself sufficient to annihilate commerce and industry, was permitted to shed its baleful influence over the greater portion of the kingdom down to the invasion of Napoleon. This tenacity in clinging to so ruinous a tax is the more surprising, seeing that its destructive influence had been repeatedly noticed in the Cortes; and was, at a later period, set in the most striking light by Ulloa†, Ustariz‡, Campomanes§, and other able writers. Catalonia and Arragon purchased from Philip V. an exemption from the alcavala and *millones* (duties on

* The duties previously referred to in ancient Rome were confined to the articles sold at public sales.

† Rétablissement des Manufactures, &c., de l'Espagne, Part I. 29.

‡ Theory and Practice of Commerce (Eng. Trans.), ii. 236. &c.

§ Educacion Popular, *passim*.

butchers' meat and other articles of provision), by consenting to the imposition in their stead of a tax on the rent of lands and houses, and on profits and the wages of labour. And notwithstanding the extremely onerous nature of this tax, Mr. Townsend* and other intelligent individuals who visited Spain in the latter part of the last and the beginning of the present century, ascribe the comparatively flourishing state of industry in Catalonia and Arragon to their exemption from the alcavala.

But even the latter was not the worst tax to which the Spaniards were subject. This distinction is due to the *bolla*, characterised by Mr. Townsend as the most mischievous engine ever set on foot by fiscal rapacity, anxious to grasp at revenue without caring whether the source whence it flowed was destroyed. The bolla was a tax of 15 per cent. on the value of all manufactured goods! And to ensure its collection the weaver had to give notice previously to commencing his work to the proper officer, who came and marked the web, and when he had finished his work he had to give another notice and receive another official visit before he could remove the web from the loom! Even this tax maintained its ground till after the middle of last century, when it was abolished by Campomanes.†

The ruin of Spain has been commonly ascribed to the banishment of the Moors and the emigrations to America. But had the policy of the government been otherwise sufficiently liberal, had the freedom of industry and commerce been established, and the revenue been raised by means of moderate and well-contrived taxes, the losses occasioned by the expatriation of the Moors (which have been greatly exaggerated) would have been speedily obliterated, and the emigration to the New World would have been as little felt in Spain as in England. The Inquisition and the censorship of the press, established in 1502, assisted by vicious taxes, have reduced Spain to her present state of degradation. The former, by enchaining the faculties of the mind, and stifling

* Travels in Spain, iii. 327.

† Townsend, i. 148.

all useful inquiry and discussion, perpetuated every abuse; while the latter paralysed the productive energies of the people, and all but extinguished the spirit of industry and the desire of improvement.

Glass. — We are disposed to think that the duties on glass were the most objectionable of those lately under the management of the Excise. Considering, indeed, the vast importance of this beautiful fabric, and the many necessary, convenient, and ornamental purposes to which it is, and to which it may be, applied, it was much to be wished, that it should be exempted from taxation. And if the public exigencies made its taxation indispensable, the duties should, at all events, have been kept within reasonable limits, and imposed in the way least likely to be injurious. It would seem, however, as if these considerations had been wholly lost sight of in the taxing of glass, the duties on it being objectionable alike from their magnitude and the mode in which they were assessed. After successive augmentations they were raised in 1813 to 98*s.* a cwt. on flint and plate glass. And despite the great increase of wealth and population in the interim, the consumption of both these sorts of glass was less in that year than it had been in 1794, when the duty was 32*s.* $2\frac{1}{4}d.$ a cwt. The progress of the manufacture and the variations of the duties since 1813 are exhibited in the tables in the Appendix.

But the duties not only augmented the price of a most indispensable article by their oppressive amount, but they further augmented it, and deteriorated its quality, by unduly fettering the operations of the manufacturers, and preventing them from making experiments and improvements, and introducing new processes. In this respect they were especially injurious; being, in truth, the principal cause that some important departments of the manufacture were hardly attempted in this country, and that in others we are behind the Bohemians, and other foreigners who have no natural facilities for its successful prosecution. Indeed, every one acquainted

with the facts will be forward to admit that the Commissioners of Excise Inquiry were justified in expressing their conviction that "*no tax can combine more objections, or be more at variance with all sound principles of taxation, than this duty on glass.*"

It is difficult to believe that there can be any cause other than the high price of plate glass occasioned by the late duty, for the quantity of it used in the fitting-up of the houses of the middle and more opulent classes in this country being so much below what is used by the same classes in most parts of the continent. The taste for plate glass had, however, gradually gained strength; and now that the duty is abolished, it is used to a much greater extent in mirrors, in the glazing of prints, the windows of shops and houses, &c. The high price of glass was also a principal cause of the limited number of hot-houses and conservatories; which are becoming greatly more abundant. The glass-duty produced, previously to its repeal in 1845, about 660,000*l.* a year.

The duty on glass was originally imposed by the Act 6 & 7 Will. and Mary, cap. 18. It was, however, repealed within four years by the 10 & 11 Will. III. cap. 18.; because, as stated in the Act, while the duties were of small advantage to the crown, they lessened the duty on coals, hindered the employment of the poor, and endangered the loss of a manufacture beneficial to the kingdom. It is to be regretted that these conclusive reasons for the repeal of the tax were not sufficient to prevent its being revived, in 1745, by the 19 Geo. II. cap. 12. At first, indeed, the renewed duties were comparatively moderate, but the immense additions subsequently made to them, and the interference which their assessment occasions with the manufacture, made them especially objectionable.

Leather.—Next to that on salt, the duty formerly charged on leather was, perhaps, the most objectionable of the excise duties. It amounted to $1\frac{1}{2}d.$ per lb. from its establishment by the 9 Anne, cap. 11., down to 1812, when it was raised to 3*d.*, at which rate it continued till 1822, when it was again

reduced to its old rate of $1\frac{1}{2}d.$ It was finally repealed in 1830.

The duty produced about 600,000*l.* a year of nett revenue previously and about 400,000*l.* subsequently to its reduction. But instead of being reduced it should have been wholly repealed in 1822. The retention of any part of it made it necessary to keep up and enforce the various regulations required for its collection, which were more objected to by the manufacturers than the duty; while a reduction of $1\frac{1}{2}d.$ per lb. in the cost of leather was too trifling to be felt by the public, even if they had received the entire advantage of the reduction. To have secured this a corresponding deduction should, however, have been made from the duty which was then laid on foreign hides when imported; and this not being done, the principal benefit of the reduction was intercepted by the growers of cattle in this country, who sold their hides at a proportionally increased price.* But, apart from these considerations, it was most impolitic to lay a duty on an article which is indispensable to the prosecution of most branches of industry, and to subject an important manufacture, furnishing the raw material of many others, to a vexatious system of revenue laws, for the sake of 400,000*l.*, or even 600,000*l.* a year. Happily, however, these are now matters of history. The leather trade, relieved from every sort of trammel and restraint, has been greatly extended since 1830. And the customs duties on foreign hides being repealed in 1844, their importation has rapidly increased, and the public have not merely profited by the abolition of the duty, but by the many improvements which have since been made in the tanning and dressing of leather.

* This view of the matter is identieal with that taken by Sir Robert Peel, in submitting his financial statement to the House of Commons on the 11th of Mareh, 1842: — "I do not know," said the Right Honourable Gentleman, "but that in respect to leather the reduetion of that tax took plaee without publie benefit. I fear that the full amount of the advantage did not go to the consumer. You did not adopt a measure you ought to have adopted with the reduction of the tax, a reduetion of the duty on the importation of foreign hides. I fear that in this instance you reduced a duty which benefited monopolists."

Previously to the repeal of the leather-tax, duty was paid on about 52,000,000 lbs. of leather. But we are well assured that the production of tanned and dressed leather is at present not under, if it be not above, 80,000,000 lbs. This quantity, supposing it to sell, at an average, for 1*s.* 6*d.* per lb., would be worth 6,000,000*l.* And, on this hypothesis, the total value of the articles into which leather is manufactured may fairly be estimated at fully 15,000,000*l.* or 16,000,000*l.* a year. If those who suspect this estimate of exaggeration will reflect a little on the immense expenditure on shoes and harness only, exclusive of the other modes in which leather is employed, they will, perhaps, come to be of opinion that it is, if anything, rather below than above the mark.

In speaking of the leather manufacture, Dr. Campbell has the following observations:—"If we look abroad on the instruments of husbandry, on the implements used in most mechanic trades, on the structure of a multitude of engines and machines; or if we contemplate at home the necessary parts of our clothing—breeches, shoes, boots, gloves—or the furniture of our houses, the books on our shelves, the harness of our horses, and even the substance of our carriages; what do we see but instances of human industry exerted upon leather? What an aptitude has this single material in a variety of circumstances for the relief of our necessities, and supplying conveniences in every state and stage of life! Without it, or even without it in the plenty we have it, to what difficulties should we be exposed!"*

Candles.—The duty on candles, imposed in 1710, by the 8 Anne, cap. 9., was repealed in 1831. For many years previously to its repeal, the rate of duty amounted to 1*d.* per lb. on tallow candles, and to $3\frac{1}{2}d.$ per lb. on those made of wax. But though it could not be fairly objected to because of its magnitude, the tax was one of the worst that could be devised. Heavy penalties were laid on all parties, however poor, who made any tallow or grease into candles, unless they

* Political State of Great Britain, vol. ii. p. 176.

gave previous notiee to the Excise, and deelared upon oath the quantity and deseription of candles they meant to make! It is obvious that such a duty could be neither fairly assessed nor generally eolleeted; and though previously to its repeal it produeed about 490,000*l.* a year, it was far more produetive of smuggling, perjury, and oppression.

Bricks.—The duty on brieks, the article most recently subjeeted to the exeise, was imposed in 1784, by the Act 24 Geo. III. eap. 24. It was originally fixed at the rate of 2*s.* 6*d.* per 1000 on eommon bricks, but was inereased at different periods between 1794 and 1806 to 5*s.* 10*d.* per ditto, at whieh rate it eontinued till its repeal in 1850. The larger and finer brieks paid higher duties. A duty on tiles, imposed at the same time as that on brieks, was repealed in 1833.

Bricks being the principal material used in London and in most parts of England in the building of houses, immense quantities are annually produced. Notwithstanding the duty, their eonsumption in England nearly doubled during the twenty years ending with 1840; the number that paid duty in 1821 having been 899,178,510, whereas in 1840 it amounted to 1,677,811,134. In 1847 it inereased to 2,193,829,491. But it subsequently fell off; the number brought to the eharge in 1849, the last year of the duty, being only 1,462,767,154. In Scotland, where stone is mostly employed in building, the manufaeture of bricks is comparatively unimportant. The duty, which produeed, in 1849, a nett revenue (inc. Seotland) of 456,452*l.*, had long been felt to be extremely partial, seriously affeeting some parts of the eountry, whilc it did not touch others. Its defeets werc set in a still more striking light by the rapidly extending use of tiles, after thcy had been relieved from the duty, in drainage and otherwise. Influeneed by thesc and other eonsiderations, government proposed and earried the repeal of the duty in 1850.

SECTION II. — ASSESSED TAXES.

The duties on armorial bearings, carriages, horses, and horse-dealers, dogs, game certificates, servants, and windows, are called, for what reason it is not easy to imagine, the "assessed taxes."

These taxes produced, in 1850, the sum of 3,377,284*l.*, of which nearly a half was derived from the window-duty, which has since been repealed, to make way for the new house-tax. And we have already seen that a tax on houses is in all respects preferable to a tax on windows. The late window-tax was, however, as reasonable as could well be desired. Houses with fewer than eight windows were exempted from its operation, and houses with that number paid only 16*s.* 6*d.* The duty increased with the increasing number of windows, till, on the largest houses, it attained a maximum rate of 46*l.* 11*s.* 3*d.* Windows in farm-houses under 200*l.* a year were exempted from the duty. In 1850 this tax produced 1,708,504*l.**

The window-duties were preceded by and may, indeed, be regarded as a substitute for hearth-money, or the old duty on hearths or fire-places. This last is of great antiquity. As early as the Conquest mention is made of *fumage* or *fuage*, vulgarly called smoke-farthings, which were paid by custom to the king for every chimney in the house. It would appear, however, that this custom had gradually fallen into disuse; and it was not till the reign of Charles II. that the hearth-tax was established as a regular source of income. The stat. 13 & 14 Car. II. cap. 10., enacted that a tax of 2*s.* should be charged upon every hearth in all houses paying to church and poor; and subsequent statutes authorised the officers engaged in its collection to enter houses to ascertain the number of fire-places. This invasion of domestic privacy, and not its amount, made this a very unpopular tax. And, therefore, it was declared at the Revolution, by stat. 1 William and

* Exclusive of the 10 per cent. additional imposed by the 3 Vict. cap. 17.

Mary, cap. 10., that "hearth-money was not only a great oppression to the poorer sort, but a badge of slavery upon the whole people, exposing every man's house to be entered into and searched at pleasure, by persons unknown to him; and, therefore, to erect a lasting monument of their majesties' goodness in every house in the kingdom, the duty of hearth-money was taken away and abolished." But, as Blackstone says, "the prospect of this monument of goodness was somewhat darkened," when in six years after taxes were laid on houses and windows by the statute 7 Will. III. cap. 18. The window-tax had, in truth, no advantage of any kind over the hearth-tax, except that it might in most cases be assessed without its being necessary to enter the house. In other respects the taxes were nearly upon a level; neither the one nor the other affording any criterion by which to estimate the value of houses, or, consequently, the amount of tax they might fairly bear.

The tax on horses formerly extended to those employed in husbandry, which were charged with duties varying from 3*s.* to 17*s.* 6*d.* each. The latter were, however, exempted from the tax in 1822 and 1823. The duty on them was objectionable, inasmuch as it not only tended directly to raise the price of corn by taxing the instruments of production, but to do the same thing indirectly by obstructing the progress of agriculture. At present there seems to be nothing to find fault with in the duty on horses. Probably, indeed, the rates on some of the classes might be advantageously increased. In 1826, when those employed in husbandry were charged, the duty was assessed on 1,161,430 horses; whereas in 1849 it was assessed only on 317,667 horses.

A duty on private carriages was imposed for the first time in 1747 by the Act 20 Geo. II. cap. 10. The rate of duty, which has since undergone many modifications, amounts at present to 6*l.* on a four-wheeled carriage, when only one is kept, and 6*l.* 10*s.* each when two are kept, and so on, increasing with the number kept. The fact that there are only about 25,500 private four-wheeled carriages in Great Britain (exclusive of pony carriages), goes far to show how idle it is

to imagine that any very great amount of revenue can ever be realised by means of taxes falling on luxuries used only by the upper classes.

The duties on dogs and game certificates call for little remark. Dogs used in the care of sheep and cattle are exempted from the duty. And being unexceptionable in principle, the tax on other dogs and on game licences should be carried to the highest point of productiveness; that is, the duties should be elevated or depressed to the point at which they will yield the greatest amount of revenue.

The duties on all descriptions of servants, including waiters in taverns, produced in 1850, 204,947*l.* nett. The duty amounts to 2*l.* 4*s.* on a person keeping one servant, increasing up to 3*l.* 16*s.* 6*d.* each servant, on persons keeping eleven servants and upwards.

The tax on hair-powder, imposed in 1797, produces little more than 2,200*l.* a year, and is not worth keeping up. It is interesting only from its affording, as already stated, one of the most striking examples of a change of fashion induced by taxation; the habit of wearing hair-powder, which, previously to the tax, was very general, having been completely rooted out by its introduction.

It is obvious from these statements that the assessed taxes are at present as moderate as can be desired; and whatever unpopularity may attach to them, does not originate in their magnitude, but in the circumstance of their requiring a direct money payment to be made to the collectors. We have previously endeavoured to show why the contributors are so generally averse to such payments; and the superiority in this respect of excise and customs duties, in which the tax being identified with the cost of the article is forgotten by the purchasers. But, apart from their unpopularity, the assessed taxes are as little objectionable as any duties of the kind can possibly be. And in our view of the matter, it would be good policy to augment them, by extending the house-tax to all descriptions of houses, and increasing the rate of assessment to $7\frac{1}{2}$ or 10 per cent.

Duty on Plate.— In order partly to prevent fraud, and partly for the purpose of collecting a revenue, the manufacture of plate is placed under certain regulations. Those who carry it on are obliged to take out a licence, renewable annually, which costs from 2*l.* 6*s.* to 5*l.* 15*s.* Assay offices are established in different places; and any one selling any article previously to its having been assayed and marked forfeits 50*l.* No plate is passed at the assay offices, unless it be of the fineness of the old standard, or 11 oz. and 2 dwts., or of the new standard of 11 oz. and 10 dwts. Gold plate, with the exception of watch-cases, pays a duty of 17*s.* per ounce, and silver plate a duty of 1*s.* 6*d.* per ounce; but watch-cases, chains, tippings, mountings, collars, bottle tickets, teaspoons, &c., are exempted. The offence of counterfeiting, or the transference from one piece of plate to another of, the marks, stamps, &c., impressed on plate by the assayers, was formerly felony without the benefit of clergy; but is now punishable by transportation or imprisonment.

Besides being imposed on articles of luxury and ostentation, the duties on plate have been supposed to be advantageous by their serving as a guarantee for the genuineness of the articles on which they are imposed. It has, however, been alleged that the marks of the assayers are so easily counterfeited that the duty has an opposite effect; and that by making the buyers confide in them, it not unfrequently procures a ready sale at full prices for articles that are very much alloyed. There may probably be some truth in this statement; though on the whole the duty certainly helps to prevent the public from being cheated. Those who wish for perfect security should resort only to shops of established character and respectability. About 800,000 oz. silver plate, and 7,000 oz. gold, are retained for home consumption in the United Kingdom. In 1849 the duty produced 58,985*l.*

Tolls, Port Dues, &c.— We briefly noticed in the Introduction to this work the modes that have been successively adopted for the construction and repair of the public roads; and as nothing, perhaps, contributes so much to the improve-

ment of a country as good roads, their formation and repair are objects of primary importance. The funds for these objects are now usually provided, at least in as far as respects the great lines, by tolls levied on the goods, carriages, horses, &c., passing along the roads; and when the tolls are kept within due limits, and the produce is judiciously and economically laid out, they have been generally approved of. "When," says Dr. Smith, "the carriages which pass over a highway or a bridge, and the lighters which sail upon a navigable canal, pay toll in proportion to their weight or their tonnage, they pay for the maintenance of those public works exactly in proportion to the wear and tear which they occasion of them. It seems scarcely possible to invent a more equitable way of maintaining such works. This tax or toll, too, though it is advanced by the carrier, is finally paid by the consumer, to whom it must always be charged in the price of the goods. As the expense of carriage, however, is very much reduced by means of such public works, the goods, notwithstanding the toll, come cheaper to the consumer than they could otherwise have done; their price not being so much raised by the toll, as it is lowered by the cheapness of the carriage. The person who finally pays this tax, therefore, gains by the application more than he loses by the payment of it. His payment is exactly in proportion to his gain. It is in reality no more than a part of that gain which he is obliged to give up in order to get the rest. It seems impossible to imagine a more equitable method of raising a tax.

"When the toll upon carriages of luxury, upon coaches, post-chaises, &c., is made somewhat higher in proportion to their weight than upon carriages of necessary use, such as carts, waggons, &c., the indolence and vanity of the rich are made to contribute, in a very easy manner, to the relief of the poor, by rendering cheaper the transportation of goods to all the different parts of the country." *

But, if tolls were imposed, not to furnish a fund for constructing and repairing the roads, but to yield a revenue to

* Wealth of Nations, p. 326.

government, their influence would be widely different. They would then form a species of internal customs that would be a great incumbrance on trade. If they were charged according to the bulk and weight of the goods, which seem to be the only indexes that can be resorted to in determining the amount of tolls, they would become unequal and partial in their operation; and would fall with oppressive severity on the raw produce of the soil, coal, manure, and other bulky articles of comparatively small value; while they would have a slight and, indeed, almost imperceptible influence over most species of manufactured goods.

But supposing the tolls to be applied only to the construction and repair of roads, and to be fairly assessed, still it is by no means clear that they are in all respects so unobjectionable as Dr. Smith seems to have supposed. Good roads conduce to the advantage of all classes of the community, and are indirectly, if not directly, as serviceable to those who do not keep horses and carriages as to those who do. It has in consequence been proposed to abolish tolls, as being essentially partial and unfair, and to raise a fund for constructing and repairing turnpike roads by a tax on property assessed and collected in the same way, and by the same machinery, as the rate for cross and parish roads. But, though not without its advantages, a plan of this sort would be attended with some very serious difficulties and drawbacks. And on the whole it would seem to be the better policy to continue the present system, taking care, however, to free it as far as possible of abuse.

In backward and thinly peopled districts, where it might be impossible either to construct or keep up roads by means of tolls or parish rates, it may notwithstanding be expedient, with a view to the general interests of the empire, that roads should be constructed. In such cases their cost should be defrayed in part by the public, but in part also by a tax on the lands and houses of the districts in which they are situated. The roads in the Highlands exemplify the correctness of this statement. Half their cost was paid by government; and, though of the greatest advantage, they could not

have been made, and, after being made, could not have been kept up, by the produce of any tolls it would have been practicable to levy. Indeed the imposition of tolls on the roads in unfrequented districts is, in most cases, inexpedient; and, if assessed, they should always be at a very low rate. The excessive multiplication of tolls in Wales, and the oppression thence arising, were among the prominent causes of the late disturbances in the principality.

The above remarks apply with little variation to the charges on shipping, for lights, harbour dues, &c. Everybody knows that these are of the greatest consequence to the security of shipping and the dispatch of navigation, provided the charges on their account be confined within moderate limits. But if they exceed these their influence is very different. They then tempt the navigator to quit secure and expensive for more dangerous but cheaper channels. *Avara manus portus claudit; et cum digitos contrahit, navium simul vela concludit: meritò enim illa mercatores cuncti refugiunt quæ sibi dispendia esse cognoscunt.**

Exclusive of tolls, duties are charged on travelling either by public carriages or by private carriages drawn by post-horses. Of these the duty of 5 per cent. on all sums received by railway companies for the conveyance of passengers is the most important. It produced in 1850 the sum of 251,215*l.* This duty falls, of course, wholly on the passengers; and is so very moderate that it has no effect in lessening the number of travellers. Probably, indeed, it might be doubled without having, in this respect, any very sensible influence. This is a good instance of an indirect tax. Not one passenger in fifty ever thinks of it, or would travel a mile the less if he did.

But despite the facility with which this tax is collected, and its innocuousness as respects the public, it is said to operate unfairly and oppressively upon railway companies.† These allegations do not, however, appear to be entitled to

* Cassiod., lib. vii. cap. 9.

† The objections to the duty have been ably stated in a tract by G. H. Lang, Esq.

much weight. The tax will, no doubt, be less felt by prosperous than by unprosperous companies; but this is a result common to all fairly imposed taxes. And it is further to be borne in mind that since 1832 all railways have been subject to taxation. At first the tax consisted of a mileage, or duty of $\frac{1}{2}d.$ per mile for every four passengers conveyed in a railway carriage. But this duty, having been found to be too heavy, was commuted in 1842 for the present duty of 5 per cent. on the gross receipts derived from passengers. It is, therefore, obvious that all railway companies and proprietors knew when they were forming their plans that they would be subjected to a certain amount of taxation. They might have objected to the tax had it been *ex post facto*. But when it has formed one of the elements in the working of railways, the cost of which was fixed and ascertained beforehand, the objections to it on the ground of injustice are evidently destitute of any good foundation.

The railway companies further allege that the tax is oppressive because they are fettered in the management of their lines, and obliged to carry third-class passengers at certain specified rates. But the same answer may be made to this as to their other allegation. The regulation in regard to third-class passengers has been enacted for a considerable period; and all railway companies formed in the interval were aware that they would be subjected to it as well as to the tax. If they thought that either the one or the other was unreasonable or unfair, why did they go on with their undertaking? A party who has bought an estate subject to the land-tax, is not to be allowed to turn round and object to its payment when he finds he has made a bad bargain.

Nothing, therefore, can be more unfounded than the objections made by the railway companies to this tax. Their depressed condition is not owing to it, but to their own recklessness, extravagance, and bad faith. And any government which should repeal or modify the railway-tax without securing in some other way an equivalent advantage to the community, would evince but little regard for the public interests.

The duty on stage-carriages consists of a licence duty of 3*l.* 3*s.* a year, and of a *mileage*, or duty of so much per mile travelled over, according to the number of passengers the carriage is licensed to carry, rising from 1*d.* per mile for four persons to 4*d.* per mile for twenty-one. This duty produced, in 1850, 195,580*l.* nett. The duty on post-horses is very heavy, being $1\frac{1}{2}d.$ per horse, or 3*d.* per pair per mile travelled; and there is besides a licence duty of 7*s.* 6*d.* on every person letting a horse for hire, and of 5*l.* on every four-wheeled carriage, and of 3*l.* on every two-wheeled ditto. The post-horse duty produced, in 1850, 146,962*l.*, inclusive of licences. Hackney-coaches are charged with a licence duty of 5*l.*, and with a further payment of 10*s.* per week: both duties produced, in 1850, 79,208*l.*

The duty on sea-borne coal, though charged at the ports of importation, was properly a home or inland duty. It was originally imposed in the reign of William III., and was continued down to 1831, when it was finally repealed. After being long stationary at 5*s.* per chaldron, it was increased during the late war to 9*s.* 4*d.* per chaldron, but was reduced in 1824 to 6*s.* Scotland enjoyed for a considerable period an exemption from this tax, which fell principally on the metropolis and the southern parts of England, which are almost wholly dependent on water-borne coal.

This tax was in the highest degree partial and oppressive; partial because it only affected those parts of the empire to which coals had to be carried by sea; and oppressive because it added full 50 per cent. to the price paid to the coal-owner for an important necessary of life and the most efficient instrument of manufacturing industry. But it is needless to dwell on the demerits of a tax so contradictory of all principle, and so mischievous in its operation. Indeed, as Smith has justly stated, "if a bounty could in any case be reasonable, it might perhaps be so upon the transportation of coals from those parts of the country in which they abound to those in which they are wanted."*

* Wealth of Nations, p. 395.

It is to be regretted that when the coal-tax was repealed in 1831, a local duty on the coal brought by sea to London should have been retained to defray the cost of certain improvements in that city. It is more than doubtful whether a further reduction in the price of coal would not be a more desirable improvement than any which the duty is kept up to effect.*

SECTION III. — STAMP AND LEGACY DUTIES.

1. *Stamp-Duties.*

These duties form the third great branch of revenue in the United Kingdom, being the next most important after the Customs and Excise. They are imposed on written or printed instruments; and derive their name from the paper or other material being commonly impressed with a stamp showing the amount of the duty paid.

The greater number of the duties included under this head have little or no connection with each other, beyond that of the mode in which they are levied, and have nothing in common in their policy or effect. Among others are duties on newspapers; on policies of assurance; on appointments to offices of various kinds; on the grants of dignities and marks of distinction (the least objectionable of all taxes); on the certificates and licences which are required to the exercise of certain professions or trades, as those of attorney, appraiser, auctioneer, pawnbroker, brewer, distiller, &c. But the most important are the stamp-duties on the different kinds of conveyances and leases, mortgages, bonds, and settlements, and on the deeds and written instruments by which contracts are made or authenticated, and the duties (which are classed among the stamp-duties) on legacies and successions of certain kinds from a testator or from a person dying intestate.

* The repeal of the duty on sea-borne coal was preceded, and perhaps promoted, by a pamphlet by the author of this work entitled "Observations on the Duty on Sea-borne Coal, and on the Peculiar Duties and Charges on Coal in the Port of London," 8vo. 1830.

The stamp-duties on "the instruments of conveyance, contract, obligation, and security for money," are, in effect, taxes on the sale and transfer of property, and on the authentication of the evidence of other contracts, and (as the law in some cases makes writing essential to the validity of a contract) on the contracts themselves.

Taxes on the sale and transfer of property would be more objectionable than they seem to be if the doctrine of Smith were true, that they fall wholly on the seller, and are paid out of the wreck of his fortune: "Taxes upon the sale of land," he observes, "fall altogether upon the seller. The seller is almost always under the necessity of selling, and must therefore take such a price as he can get. The buyer is scarcely ever under the necessity of buying; he will, therefore, only give such a price as he likes. He considers what the land will cost him in tax and price together. The more he is obliged to pay in the way of tax, the less he will be disposed to give in the way of price. Such taxes, therefore, fall almost always upon a necessitous person, and must, therefore, be frequently very cruel and oppressive."—(p. 389.)

But in the sales of fixed as of other property, there is a competition among buyers as well as among sellers. There are those who wish to buy estates as well as those who wish to sell them; money seeking an investment as well as land seeking a purchaser. A grocer must sell the tea and sugar in his shop, and no one needs buy either of him; but would it, therefore, be correct to say that he paid the duties on these articles? Notwithstanding the assent it has so generally received, the assertion of Smith would not be in any degree correct but for the circumstance of there being some kinds of property, or investment, such as funded property and the stocks of some of the great corporations, exempted wholly or in part from the duties on sales.* But despite the disturbing

* A transfer of Bank Stock or South-Sea Stock is subject to a duty only of 7*s.* 9*d.*, a transfer of East India Stock to a duty of 30*s.* The government funds or annuities, it is well known, are specially exempted from all transfer duty.

influence of these untaxed investments, and the occasional occurrence of "forced sales," a large proportion of the tax on the sale of lands certainly falls on the purchasers. In considering the expediency of sales, of which there are many for the purpose of division or convenience, the probable nett produce is as closely weighed by the owners as the probable return by intended purchasers, and any burthen on the transfer keeps land as well as buyers out of the market.

The only good objection to taxes on the transfer of land is that they obstruct transactions useful to the community.

It is an admitted principle, that every facility should be given to the conveyance and exchange of all kinds of property, inasmuch as that is the most likely means to make it find its way into the hands of those who will employ it most advantageously. "Why," asks M. Say, "does an individual wish to sell his land? It is because he has another employment in view in which his funds will be more productive. Why does another wish to purchase this same land? It is to employ a capital which brings him too little, which was unemployed, or the use of which he thinks susceptible of improvement. This exchange will increase the general income, since it increases the income of these parties. But if the charges are so exorbitant as to prevent the exchange, they are an obstacle to this increase of the general income."*

The influence of the stamp-duty on conveyances in this country has not, however, been sufficient materially to impede transfers; and when it is imposed on fair principles, a large revenue may be raised by it without complaint, or, at all events, without much legitimate cause for complaint.

A tax on the transfer of property should be imposed on an *ad valorem* principle, bearing a uniform proportion to the value of the property transferred. Thus, if it were 5*s.* on the transfer of property worth 50*l.* it should be 10*s.* on property worth 100*l.*, 5*l.* on property worth 1000*l.*, 50*l.* on

* Ricardo, Principles, &c., p. 167. 3rd ed.; and Say, Traité d'Economie Politique, tome ii. p. 351.

property worth 10,000*l.*, and so on in proportion for all smaller or greater sums. A scale, graduated in favour whether of lesser or of greater amounts, is, in all respects, as objectionable and unjust in taxing transfers as in taxing incomes.

Besides being equal in its pressure, a tax on transfers should be imposed so as to facilitate and authenticate the transactions on which it is charged, and to render them less hazardous to the parties concerned. The mode of levying this tax resorted to in many countries of Europe, where it is imposed on registration, under a system adapted to facilitate the proofs of transfer, and to guard against fraudulent conveyances, seems to secure these advantages, and to be the best hitherto suggested.

In this country, however, the stamp-duties have no tendency to facilitate the transactions on which they attach. Indeed, as the payment of the proper duty is made essential to the validity of an instrument, a transaction is necessarily embarrassed by some consideration or inquiry as to the sufficiency of the stamp. The payment of the duty being in nowise connected with registration, stamps have a very slight and indirect tendency to prevent fraudulent conveyances. As respects those stamp-duties which are imposed on the deeds which form the evidence of a variety of miscellaneous transactions, in which no ascertained sum of money forms the consideration, it is extremely difficult to apply the *ad valorem* principle in fixing the stamps. In truth, there has been no attempt to make such application; and it must be admitted that this is a cause of inequality in the pressure of stamp-duties, which it is not, perhaps, practicable wholly to remove.

Besides the inconveniences inherent in stamp-duties, those imposed in this country were until lately open to great objections in their details.

When the former edition of this work was published we had occasion to notice, with considerable severity of reprehension, the insecurity and unfairness that originated, 1st, in there being no means of ascertaining, except by the decision

of a court of law when the deed was objected to, what were the proper stamps to employ in various important transactions: and, 2nd, in the inequalities of the duties imposed on a so-called *ad valorem* principle, from their pressing with disproportioned severity on comparatively small amounts, and from there being too small a number of different stamps, rising in amount by unequal steps, and stopping at limits (arbitrarily fixed) beyond which no increase of value or money secured occasioned an increase of the tax. But, we are glad to have to say, that the act of 1850, the 13th & 14th Vict. cap. 97., has done much to obviate these defects in the old law; and though there still remain some anomalies to be rectified, this statute has effected some material improvements.

The 14th section of the new act authorises all parties who wish to have a conclusive stamp, or one of which the validity shall not be questionable, to obtain such guarantee from the commissioners, on paying the moderate fee of 10*s*. This is an important improvement; and will, in transactions affecting property of any considerable amount, put down much of the litigation which formerly grew out of the doubts that were frequently entertained in regard to the validity of stamps.

The duties on conveyances, bonds, and mortgages have been considerably reduced, and are imposed nearly on a fair principle. Under the former act the tax amounted, at an average, to 1 per cent. on the general range of sales. But from the circumstances to which we have adverted, the average was widely departed from in particular cases, and where the purchase money exceeded 100,000*l*. it was altogether abandoned; while the breaks in the scale applicable to cases of common occurrence were so constructed that an increase of a farthing in the price might have raised the duty from 12*l*. to 25*l*.* Under the new act the conveyance stamp on a sale is fixed at 10*s*. per cent. (or half the former average). And as the act provides a greater variety of stamps, and a

* The 12*l*. duty attached where the price amounted to 1000*l*., and did not amount to 2,000*l*. If the price was 2,000*l*. the 25*l*. duty attached.

more careful adjustment of the scale, nothing like the inequality of the old system can now exist. The stamp when the price does not exceed 25*l.* is 2*s.* 6*d.*; and it ascends by even steps of 2*s.* 6*d.* on every 25*l.* of the price up to 300*l.*; thence by an increase of 5*s.* for every 50*l.* of price up to 600*l.*; after which there is an increase of 10*s.* for every 100*l.*, and for any fractional part of that sum. The duty does not stop, as in the old scale, at a certain limit, but extends to all sums, whatever their amount. An additional duty formerly charged on the conveyance of freehold estates in respect of an absurd formality in conveyancing (the "lease for a year"), and which continued to be charged after the formality on which it was grounded had ceased, has been abolished. This additional duty materially aggravated the inequality of the old scale in respect of small transactions.

Under the old law the tax on a bond or mortgage for a sum not exceeding 50*l.* was 1*l.*, that is, it amounted to 2 per cent. on the highest sum covered by the stamp. But the tax on a bond or mortgage exceeding 15,000*l.* and not exceeding 20,000*l.*, which, at the same rate, should have amounted to 400*l.* on the larger sum, did, in fact, amount to no more than 20*l.*, or to *one twentieth* part of the rate levied on the smaller transaction! And on any sum, no matter how large, above 20,000*l.*, no higher duty than 25*l.* was charged. But this unjustifiable preference of the interests of the borrowers and lenders of large to those of small amounts, no longer exists. Under the new act a bond or mortgage for a sum not exceeding 50*l.* is charged with 1*s.* 3*d.* duty; and subject to the breaks in the scale, this rate of 2*s.* 6*d.* or $\frac{1}{8}$ per cent. is charged on the higher amounts; 2*s.* 6*d.* being charged on sums of 50*l.*, and not exceeding 100*l.*; 3*s.* 9*d.* on sums exceeding 100*l.*, and not exceeding 150*l.*; and so on with every advance of 50*l.* up to 300*l.*, after which every additional 100*l.* or fractional part of 100*l.* is charged with the additional duty of 2*s.* 6*d.* But there does not appear to be any sufficient reason for the breaks in the scale, or that a bond for 101*l.*, and for 149*l.* should be charged the same duty. The proper plan would be to make the duty of 2*s.* 6*d.*

per cent. attach to all sums whatever may be their amount. Or, if for the convenience of the stamp-office breaks be allowed in the scale, they might be reduced to 10*l.* instead of 50*l.*

As those contracts for the repayment of money which are subjected to stamp-duties, as bonds or mortgages, form a part only, and probably not the largest part, of contracts of this kind (a practical exemption from duty being enjoyed by the rest), it is probable that Adam Smith's position is in some degree true in its application to these duties, that they principally fall on the borrower, by whom they are in practice paid. But if all contracts of this kind were taxed there is no reason to suppose that the tax should be wholly or principally borne by either of the contracting parties — the borrowers or lenders — between both of which classes there is the same competition as in the case of sales.

The practical exemption from taxation of other contracts for the repayment of money justifies the policy of the recent reduction of the duties on bonds and mortgages. They are not so high as to form any serious obstruction to the transactions on which they fall. But formerly they were not only heavy but exceedingly unequal; so much so that the *rate* of the *ad valorem* duty to which they were subjected, was 80 times as great on a security for 50*l.* as on one for 100,000*l.*! This gross inequality no longer exists. The duty on leases has also been much improved.* Formerly it involved not merely a disregard but what might be called a contempt for the interests of the smaller class of leaseholders.

We said in the former edition of this work "there would be no great difficulty in charging the *ad valorem* duties in exact proportion to the price; and, at all events, there can be no

* The duty on a lease now amounts only to 10*s.* or ½ per cent. on the rent reserved. Under the old law any lease at a rent under 20*l.* was charged with 1*l.* stamp duty. A lease of 10*l.* could not be charged less than 5 per cent. on the rent, whereas a lease of 1000*l.* a year, or *any higher amount*, was only charged with 10*l.*, being a maximum of 1 per cent.

difficulty whatever in lessening the intervals of the scale, and making the duties attach fairly to the higher transactions. And such being the case, it will be curious to see how long the present system will be permitted to continue." It survived for five years. The present Stamp Act, which was introduced and carried through parliament by Sir Charles Wood, confers credit on his financial administration. It is the first statute in which an attempt has been made to assess the stamp-duties on fair and equitable principles. And but for the formidable difficulties encountered in this attempt the revision would probably have been extended to every part of the schedule of stamp-duties.

A fixed duty of 1*l.* 15*s.* is still charged on all deeds not liable to an *ad valorem* or other special duty. Its inequality is justly complained of. The values of the contracts which are evidenced by such deeds differ as much as the values of the estates which are the subject of conveyance. All that can be said in favour of a uniform tax in these cases is, that the value of the contracts to which the deeds relate could not generally be ascertained with facility or certainty. Where, however, a tax of a fixed amount is imposed on subjects so unequal, it is the duty of the legislature to take care that it be not so heavy as to be oppressive to the lowest and most numerous class of tax-payers. The amount of this duty is now quite out of proportion to that on other instruments.

Heavy taxes on instruments of contract are open to objections similar to those which were successfully urged by Bentham against taxes on legal proceedings. They do not, indeed, prevent a party who has been injured from seeking legal redress, but they prevent the perpetuation of the evidence by which alone redress can be obtained, and sometimes load him with the expense of a fruitless litigation. They are taxes on those who have to bring themselves within the pale of the law; and many of them, like taxes on law proceedings, fall on the tax-payer at the moment of his greatest need.

The head of settlements in the stamp-duty schedule is more remarkable for what it omits than for what it in-

cludes. The only subject matters of settlement charged by the schedule are "definite and certain sums of money," and "definite and certain" amounts of the Government funds, on Bank, East India, or the South Sea stock, or the stock of any other company or corporation.

On these the scale of duties is double that on mortgages, being at the rate of 5*s.* per 100*l.* or $\frac{1}{4}$ per cent. Formerly it was 1*l.* 15*s.* on all sums below 1000*l.*

All other kinds of personal property and all landed property are exempted from any special tax on donation *inter vivos* or settlement, except that the deeds by which such donations or settlements are made are subject to the duties (before mentioned) on deeds not specially charged.

The settlement of landed property is undoubtedly, however, one of the fairest subjects for taxation. The same considerations which show the policy of facilitating transfers on sale, show the propriety of taxing the settlement of land. The objects of a settlement are to withdraw land from commerce, and (sometimes also) to protect it from the claims of creditors; to retain it in the family of the owner in spite of their extravagance or incapacity; and to make it pass to the children in spite of the debts and incumbrances of the usufructuary possessor. The owner of property may, on the occasion of his marriage, settle it on his wife and family, retaining full power, if he please, of directing the mode of division among them. And it is thenceforth free from the consequences of his subsequent debts, even though credit be given him on the supposition that he is still the real proprietor of the estate, of which, of course, he often continues so ostensibly. Whether the policy of the law which enables a man to procure this immunity for his family be or be not expedient, needs not here be discussed. It is, at all events, of a very questionable character; and it can scarcely be denied that a settlement by act *inter vivos* is one of those dealings with property, or luxuries of the rich, on which a high duty may be justly levied.

Another circumstance connected with settlements of estates

deserves special notice in reference to a system of taxation. It is not now necessary to the validity of such settlements in England that they be in anywise registered. And such is the law, that if the absolute owner of land settle it on the occasion of his marriage, and subsequently sell it for a full price to a person wholly ignorant of the previous settlement (and it is only by accident that it can be known to any one but its author), the purchaser may be evicted by the wife or children! These cases occasionally occur, and that they are not more frequent is not owing to any effort of the legislature to prevent them. As a settlement on marriage is generally unaccompanied by any change of possession, as in the case of sale, or by any delivery of the deeds, as in the case of mortgage, the making provision for the registration of settlements would appear to be one of the most obvious duties of the legislature, whatever may be done in the case of other instruments.

The only tenable ground on which the exemption of settlements of land from taxation may be at present defended is the impossibility of ascertaining the value of the property on the face of the instrument, by which alone the sufficiency of stamps is now determined. But if registration were indispensable to the validity of a settlement, there would be no difficulty on this head. It would be sufficient probably to provide that the settler should make a declaration in regard to value, and should be subject to surcharge in case of fraudulent misstatement. The duty should be paid not on the deed, but on the registration. A duty on settlements so registered might have been made to defray the loss sustained by the late change in the stamp-duties and to yield a considerable sum in addition.

Stamp-duties on the voluntary sale of commodities fall, like other taxes on them, wholly on the consumer; for, unless such were the case, the commodities would not be offered for sale subsequently to the imposition of the duties. Thus, the duties on cards, dice, and newspapers are paid by those who buy them. Such duties differ in no respect, so

far as regards their incidence, from the excise or customs duties laid on commodities.

A duty was imposed, for the first time, on newspapers, in 1712. It originally amounted to $\frac{1}{2}d.$ on papers of half a sheet or less, and to $1d.$ on those exceeding half a sheet and not exceeding an entire sheet. This duty, after successive augmentations, was raised in 1797 to $4d.$ subject to a discount of 20 per cent. But its amount having been much and justly complained of, it was reduced in 1836 by the 6 & 7 Will. IV. cap. 76. to $1d.$, at which it still continues. The size of a newspaper bearing a penny stamp was then, also, fixed at 1530 sq. inches letter-press on one side. If the sheet exceed 1530 but does not exceed 2295 sq. inches the stamp is $1\frac{1}{2}d.$, and if it exceed 2295 sq. inches it is $2d.$ A supplement not exceeding 765 sq. inches of letter-press on one side is charged with a duty of $\frac{1}{2}d.$ In Ireland, a discount of 25 per cent. is deducted from these duties.

The newspaper-duties produce about 355,000*l.* a year; and being as moderate as can well be desired, we see no reason why they should be either reduced or repealed. They can hardly, indeed, be properly called duties, but are rather to be regarded as a payment for the trouble and expense attending the conveyance and distribution of newspapers by post for which no charge is made. But it is said that this charge should be exactly apportioned, or that it should be laid only on the newspapers which are actually put into the post-office. And it has, in this view, been proposed to repeal the stamp-duty on newspapers, and to impose in its stead a charge of $1d.$ on all newspapers sent by post. But we incline to think that a commutation of this sort would be not a little objectionable. Its obvious tendency would be to confine the circulation of newspapers to the districts within which they are published, a result which is not at all to be desired. At present "The Times" and other London journals, displaying the greatest talent, and embracing the most varied information, are distributed all over the country at about the same price as the local and inferior journals. But were the proposed plan adopted,

the charge for postage being added to the price of the metropolitan journals would make them decidedly dearer than the local papers; and people in very many, or rather, perhaps, in the great majority of instances, would be disposed to prefer the cheaper, though inferior, journal published at their door, to the superior, but dearer, journal of the capital. This would be a serious disadvantage. And by depreciating the quality of the journals circulating over the country, and fostering local prejudices, would far more than neutralise the advantages which it is said would result, under the proposed plan, from the establishment of cheap papers. These advantages are, indeed, of a very doubtful description. It is certainly true that many of the inferior papers now to be met with inculcate the most pernicious doctrines. But it is by no means clear that their influence would be in any degree lessened by exchanging a stamp for a postage duty. On the contrary, it would, very probably, be increased. The existing duty affects them to the same extent that it affects other descriptions of papers; and as they circulate at present it appears reasonable to suppose that they would circulate still more extensively were they relieved from the tax. On the whole, therefore, we see no good ground for making the proposed change. It would be next to certain to lower the general character of the newspaper press, and deteriorate the most important branch of the national literature.

The limitation of the size of supplements given away gratis might, however, be advantageously set aside. It indirectly lessens the advertisement-duty, and is in all respects impolitic.

The duty on advertisements is sometimes paid by one party and sometimes by another. Where advertising is necessary to the prosecution of a business, such, for example, as that of a publisher, the duty adds proportionally to the cost of the works he sells, and is, of course, paid by the public. Generally, however, it acts unequally, and sometimes oppressively. Can anything be more anomalous or

unjust than to impose the same duty on a notice of the publication of a sixpenny pamphlet, or of a servant wanting a place, as on that of the sale of a valuable estate? Inasmuch, however, as it would be quite impracticable to assess a duty of this sort on an *ad valorem* principle, the injustice cannot be obviated so long as it is kept up. It were, therefore, to be wished, as well with a view to the getting rid of its inequality, as for permitting the free circulation of information important to all classes, that the advertisement-duty were repealed. It is now, however, much less heavy than formerly; having been reduced, in 1833, from 3*s.* 6*d.* to 1*s.* 6*d.* per advertisement. In 1850 it produced 168,163*l.*

Perhaps the duty on fire-insurance is the most objectionable of the existing stamp-duties. It amounts to 3*s.* per cent. on all property insured; whereas the premium paid to insurance-offices for common risks is only 1*s.* 6*d.* per cent., or half the duty; so that, if a person wish to insure 1000*l.* on a dwelling-house, shop, warehouse, or other commonly hazardous property, he pays 15*s.* to an insurance-office as an indemnification for the risk, and 30*s.* to government for leave to enter into the transaction! So exorbitant a duty cannot be too severely condemned. It discourages providence and foresight, the encouragement of which should be an object with all governments; and it is the cause that much property is not insured, and that what is insured is not sufficiently covered. Every individual, in fact, who insures any commonly hazardous property, is obliged to pay three times as much as the risk is really worth. Under such circumstances the wonder is, not that a great deal of property is uninsured, but that such is not the case with a great deal more. Seeing the vast importance of insurance, it may, perhaps, be doubted whether it should be charged with any duty. But as the duty is easily collected and produces a large sum, we should not advise its repeal, but merely its reduction. And were it fixed at 1*s.* or 1*s.* 6*d.* per cent., or at a third part or a half of its present amount, its influence in repressing insurance would be greatly diminished, and the increase of business would be so great that the reduced duty would probably in a few years yield

nearly as large a revenue as is derived from the present exorbitant duty.

Despite the obstructions which its magnitude throws in the way of insurance, it appears from the official accounts that the duty received on policies of insurance against fire amounted, for the United Kingdom, in 1850, to 1,104,852*l.* This, if the duty were universally 3*s.* per cent., would show that the property insured amounted to the prodigious sum of 736,568,000*l.* But, as many of the risks are unusually hazardous, the property insured (for which duty is paid) is not so great as might be inferred from this statement, and does not, perhaps, exceed 550,000,000*l.* Insurances on farm-stock, barn-yards, &c., are exempted from the duty, and do not, therefore, appear in the above estimate of insured property.

The tax upon policies of marine insurance varies according to the amount of the premium. During the late war this tax was raised to a very high rate; and as this was the only country in which, at that period, insurances could be effected, it produced a large amount of revenue. But after the peace, insurances even on British ships began, in consequence of the magnitude of the duty, to be effected in Holland, Hamburgh, and elsewhere. To prevent the loss of an important branch of business, and of the revenue arising therefrom, Lord Althorp took, in 1834, 50 per cent. from the duties; and instead of being reduced, their produce was increased by this diminution. The tax, however, was still too high; and the revenue began again to decrease. But the judicious reductions that were effected in the duties by the 7 & 8 Victoria, cap. 21., especially in those on the inferior risks, occasioned a revival of the business, and a less sacrifice of revenue than might have been anticipated. The duty produced in 1850 the sum of 162,769*l.*

The tax on receipts, or acquittances for money, was introduced into this country in 1783. It is charged according to an *ad valorem* scale, which, however, is not fairly applied, the duty pressing with much greater severity on small than on large sums. Previously to 1833 all receipts for sums between

2*l.* (at which point the tax commenced) and under 5*l.* were charged with a duty of 2*d.*; but in that year receipts for sums below 5*l.* were exempted from the duty, which is at present 3*d.* on sums of 5*l.* and under 10*l.*, and 6*d.* on sums of 10*l.* and under 20*l.*, &c.

Latterly it has been proposed to repeal the existing receipt-duty, and replace it by a uniform duty of 1*d.* charged indiscriminately on all receipts. But it would be unjust to lay the same duty on a receipt for 5*l.* or 10*l.*, as on one for 50*l.* or 100*l.* or any greater sum. And there is, also, great reason to think that a project of this sort, while it would have no compensating advantage, would occasion a considerable loss of revenue. Probably, however, it might answer were it limited to receipts for sums under 10*l.* Most persons who have to pay bills of 10*l.* and upwards, require a stamped receipt as evidence of the payment; but stamped receipts for sums below 10*l.* are most frequently dispensed with, though if they were made to apply to all sums under that amount and above 1*l.*, and limited to 1*d.*, it is pretty certain they would be used to a much greater extent than at present.

It has also been proposed to subject all checks drawn on bankers to a uniform stamp-duty of 1*d.* or 2*d.*; and this, perhaps, is a less exceptionable project than the former. But, as in the former case, the imposition of an equal duty on the transfer of sums of every magnitude is essentially unfair, though from its limited amount its unfairness might not be much felt or objected to. Apart, however, from these considerations, it may be doubted whether the revenue to be derived from such taxes would compensate for the trouble and inconvenience they would entail on the public.

Stamp-duties were first levied in Holland. Most of the accustomed methods of taxation having been resorted to, the republic, in order to provide additional funds for carrying on her contest with the Spanish monarchy, offered a considerable reward to any one who should devise the best new tax. Among many other taxes, that of the *vectigal chartæ*, or stamp-duty, was suggested; and having been approved of, it

was introduced by an ordinance issued in 1624, setting forth its necessity, and the benefits which it was supposed would result from its imposition.* Since that period stamp-duties have become almost universal, and form a prominent branch of the revenue of almost every country; affording a striking example of the justice of Smith's caustic remark, that "there is no art which one government sooner learns of another than that of draining money from the pockets of the people." They, however, deserved to be copied; being, when imposed on fair principles, and not carried to too great a height, a most legitimate source of revenue.

Stamp-duties were introduced into England in 1671, by a statute entitled "An Act for laying Impositions on Proceedings at Law." The duties were at first granted for nine years only, and were afterwards continued for three years more, when they were allowed to expire. They were again revived in 1693, and have since been gradually and greatly increased.

2. *Legacy-duties,*

Or duties on the transfer of property from the dead to the living, are now a very common species of tax. The *vicesima hereditatum*, or twentieth penny of inheritances, imposed by Augustus on the Romans, is, perhaps, the earliest example of a tax on successions. Dion Cassius (lib. lv.) informs us that this duty was laid on all successions, legacies, and donations in case of death, except upon those to the nearest relations and to the poor. Pliny has given some of the reasons for this exception; in speaking of the *vicesima*, he calls it *tributum tolerabile et facile hæredibus duntaxat extraneis, domesticis grave.* And a little after he adds, *Itaque illis* (that is strangers) *irrogatum, his* (that is near relations) *remissum, videlicet, quod manifestum erat, quanto cum dolore laturi, seu potius non laturi homines essent, distringi aliquid et abradi bonis, quæ sanguine, gentilitate, sacrorum denique societate meruissent, quæque nun-*

* Beckman's "History of Inventions," vol. i. p. 379. Eng. Trans.

quam ut aliena et speranda, sed ut sua semperque possessa, ac deinceps proximo cuique transmittenda, cepissent. (*Panegyricus*, cap. 37.) In addition to these reasons for exempting the successions of near relations from the *vicesima*, it has been said that the death of a father is seldom attended with any increase, and frequently with a considerable diminution, of revenue to such of his children as live in the same house with him; and that when this is the case, the burdening of his inheritance with a tax is a galling and cruel aggravation of their loss. But, on the other hand, it not unfrequently happens that the death of masters of families places fortunes at the disposal of their children or other descendants; and, on the whole, there seems to be no good ground, provided the duty be moderate, for exempting them from its influence. Those on whom an unexpected or remote inheritance devolves are glad to accept it on any condition; and uniformly pay such duties as may be laid on it with greater good will than any other impost whatever.

The principal objection to taxes on successions, or on the transfer of property from the dead to the living, depends, it is said, on the circumstance of their falling wholly on capital without probably occasioning any effort to replace it, either by increased exertion or economy. "If," says Mr. Ricardo, "a legacy of 1000*l.* be subject to a tax of 100*l.*, the legatee considers his legacy as only 900*l.*, and feels no particular motive to save the 100*l.* of duty from his expenditure; whereas, had he received the 1000*l.*, and been required to pay the 100*l.* by means of a tax on income, on wine, on horses, or on servants, he would probably have diminished, or rather not increased, his expenditure by that sum, and the capital of the country would have been unimpaired."* It might, however, be exceedingly inexpedient to impose or increase any one of the taxes suggested by Mr. Ricardo; and, provided the tax on successions be kept within due limits, we doubt whether the considerations he has stated be entitled to much weight. The slender influence of the tax over the

* Principles of Political Economy, 1st ed. p. 191.

legatee is, perhaps, correctly stated by Ricardo; but then it is to be borne in mind that the party making the legacy is aware that it will be subjected to the tax; and he has, in consequence, an additional motive to save and amass that his heirs may not be prejudiced by its payment. The presumption is, that the sum he has left them, *minus* the duty, is the sum he intended they should receive; for otherwise he might (or at least the greater number of legators might) have defeated the tax by making them a gift in whole or in part of the property during his lifetime. It would, therefore, appear that the stimulus to accumulate given by the duty to parties leaving property, and the circumstance of its being imposed when the contributors are receiving money or other property, and when, therefore, it is most convenient for them to pay it, are sufficient answers to the objections against it. Indeed we are inclined to consider that, when confined within reasonable limits, and fairly assessed, it is one of the least objectionable taxes.

There are other considerations connected with a tax on successions of great practical importance, which, as they have been well illustrated by Mr. Brodie, in his able tract on this subject, we shall take leave to lay before the reader in his own words.

"Of all direct taxes," says Mr. B., "none can be found less open to objection than a tax on successions. If a person, on his first coming into the enjoyment of property, pays a portion of it at once to the state, he would make the payment more willingly than if he were to be harassed by the periodical visits of the tax-gatherer for payments of a portion of his income, to meet which he must be continually making sacrifices. The hardship of the tax which is only to be once paid, can be nothing in comparison with the hardship of a tax which is to be continually recurring. It has, also, another decided advantage from its being taken out of property *in transitu* before the new owner comes into its actual enjoyment. It is levied at the precise time when he acquires his fortune, or an increase of it. He has not, therefore, to contract his expen-

diture and diminish his enjoyments or lessen his savings. He is only prevented from launching out into so great an expenditure or making such savings as his new acquisition would have warranted if the amount of the tax had not been deducted. In short, the withholding from him what he has never enjoyed, cannot be compared to the deprivation which a person may have to undergo, who may have to provide for the payment of any other direct tax. The severity of any other direct tax may, in some degree, be mitigated in process of time, after its imposition, by persons accommodating themselves to it, and may, after a lapse of time, be wholly done away with when the tax has become permanent; and the persons succeeding to land so taxed take the land subject to the tax, and have, therefore, never enjoyed it exempt from the tax. But even then, of the two direct taxes, a tax which is not to be periodically demanded, and is only to be paid at the time when the party who is to pay it has an acquisition of property, and has not had the actual benefit of such acquisition, must be the preferable tax of the two."*

The taxes on successions and legacies in Great Britain are of three kinds: some species of property being subject only to one of these taxes; some to two; while some are altogether exempt.

The first of these taxes, or that commonly called the probate-duty, is imposed on the entire personal property, including leaseholds for years, of every person who has not died intestate, and which may be recoverable under the authority of the probate, or other analogous instrument.

The second, or the duty on letters of administration, is a corresponding tax on the entire personal property, including leaseholds, of persons dying intestate, recoverable under the letters of administration.

From such of these taxes as applies to the case no part of the personal property of the deceased, within the jurisdiction

* Tax on Successions, &c. by P. B. Brodie, Esq. Bar.-at-Law.

of the court by which the probate or administration is granted, is exempted.

The third, or legacy-duty, is imposed not only on legacies, but also on the residue of the personal property of a testator, or person dying intestate, which may become divisible among his next of kin. It also falls (which the probate and administration duties do not) on the produce of the sale of land directed by will to be sold*, and on moneys charged by will, on real estate, whether as gross sums or as annuities.

The duties on probates and administrations are not in any case assessed on real or heritable property, or on any interest in it, except it be a leasehold interest. Real and heritable property is also exempted from the legacy-duty, unless under special circumstances. Where a will directs a sale of real estate, or directs money to be raised out of real estate, or charges it with legacies or annuities, the produce of the sale, or the estate itself, if it remain unsold, the money directed to be raised, and the legacies or annuities, as the case may be, are subject to the legacy-duty. But no estate or interest in land, given or bequeathed without a charge or direction for conversion, is subject to the tax. Thus, if a testator leave his real estate to his children, or to others, in shares, they are not subject to the tax; but if he direct that it be sold for the purpose of the proceeds being divided amongst them, they become subject to it. Indeed they must, in the latter case, pay it, though they should agree among themselves to divide the land without a sale.†

* Debts owing to the deceased by persons resident abroad, and other personal property abroad, are not subject to the *probate or administration* duties, as they are not recoverable under our probate or administration. But all the personal property, wherever situate, of a British subject domiciled in Great Britain is subject to the legacy-duty.

† This difference, which seems so very capricious, was made on the strength of the argument, by which the general tax on successions to real estate was defeated; viz., that a tax on land devised or descended would entail the inconvenience of a sale or mortgage; for this objection could not apply where the testator had himself directed the land to be sold or charged.

The probate and administration duties are imposed without reference to the parties to whom the beneficial residue under the will or intestacy may be found to belong. They are proportioned only (so far as they are proportioned at all) to the gross mass of the personal property on which they attach. But, unluckily, these duties are not imposed according to the same rate in all cases; indeed the scales seem to be framed on the contradictory principle of imposing the lower rates on the higher amounts.

In the case of probates, the duty on a property of the value of 300*l.*, and under 450*l.*, is 8*l.*; of 450*l.*, and under 600*l.*, 11*l.*; of 600*l.*, and under 800*l.*, 15*l.*; of 800*l.*, and under 1000*l.*, 22*l.*; of 1000*l.*, and under 1500*l.*, 30*l.*; of 1500*l.*, and under 2000*l.*, 40*l.* The scale, so far, is an approximation to the rate of 2*l.* per cent. on the highest amounts which the probate will cover. But in the case of estates of larger amounts this rate is departed from, and lower rates are charged. According to the rate at which an estate sworn under 1000*l.* is charged, the duty on an estate sworn under 20,000*l.* should be 440*l.*; but it is only 310*l.*, being little more than $1\frac{1}{2}$ per cent. According to the rate before mentioned on 1000*l.* the duties on estates sworn under 100,000*l.*, and under 1,000,000*l.*, should be respectively 2200*l.* and 22,000*l.*, but they are in fact only 1350*l.* and 13,500*l.* On a million the duty is 15,000*l.*, beyond which there is no increase, however great the estate may happen to be. The cases of estates above a million are no doubt rare; but when they do occur, as is sometimes the case, what good reason can be assigned for exempting them from a proportional increase of charge? The *millionaire* is surely as well able to pay the duty as men of middling or small fortune.

The scale of duties on letters of administration is higher than the scale of duties on probates, in the proportion of about three to two. It displays throughout the same unjustifiable partiality towards the higher amounts of property. Thus the duty on property sworn under 2000*l.*, being 60*l.*, is 3 per cent.; whereas, the duty on property sworn under 100,000*l.*,

being only 2025*l.*, is very little more than 2 per cent. A million is charged with 22,500*l.*; beyond which (as in the case of the probate-duties) there is no increase of charge.

These duties present a strange collection of anomalies. The difference between the scale of duties on probates and letters of administration, that is, on property left by will and by intestacy, is not easily vindicated. The intestacy of the head of a family is an evil to his successors which it might be well to prevent if there were any practicable means of doing so. But there is no reason to punish the widow and children for the neglect or ignorance of the husband or father, except it be on the principle extracted by Butler from the morality of the Greek Tragedy,—

> "That other men may tremble and take warning,
> How such a fatal progeny they're born in."

It may be supposed, perhaps, that the imposition of higher rates of duty on administrations may tend to discourage the suppression or destruction of wills. But is it reasonable to impose a sweeping tax of this kind to discourage criminal acts, which must be of very rare occurrence, and the temptation to which (where it really exists) can be but little affected by the increased rate of duty?

Nothing satisfactory can be said in defence or palliation of the rates of charge, which are payable in the case both of probates and administrations, being higher on moderate than on large fortunes. We have previously shown how unjust it would be to impose a higher rate of duty on the income or property of the rich than is laid on that of their less opulent brethren. But to reverse the injustice by burdening the successions of the latter with a higher rate of duty than is charged on the successions devolving on the others, is a still more flagrant abuse. An offensive anomaly of this sort should not be permitted to disgrace our fiscal code. It outrages the feelings of the public and their sense of justice; and may, some day or other, become a precedent of dangerous import. There should be no favouritism in taxation; and,

above all, no favour should ever be shown to the wealthy at the expense of the less affluent portions of the community.

But, instead of proposing to amend the present system by equalising the legacy-duties, some authorities have proposed to assess them according to a graduated scale, increasing upon the larger amounts, to fix a limit which legacies should not exceed, and to appropriate the surplus, if there be any, beyond their payment, to the service of the state! It is needless to make any lengthened remarks on a project of this sort. It is neither more nor less than an undisguised scheme of confiscation, and like all schemes of the sort it would be most pernicious. At present individuals, however rich, continue to accumulate, because they know that whatever other follies the legislature may have committed, it has not yet regarded accumulation as a vice to be repressed by pecuniary penalties, and that they will be permitted to dispose at pleasure of their fortunes. But if every increase of a man's disposable wealth were to lead, in the event of his death, to an increased duty on successions, it would either make him relax in his efforts to amass, or tempt him to defeat so odious an impost by disposing of the greater portion of his fortune during his lifetime, or it might operate partly in the one way and partly in the other. It is, indeed, all but certain that an unjust impost of this sort, besides its effect in checking the increase of capital, would be less productive than a reasonable tax fairly assessed. A treasury can never be permanently supplied with a large revenue except by taxes imposed on equitable principles. A tax like that which we have now noticed might at first be productive. But it would very speedily fall off, as well by the check which it would give to industry, as by the innumerable devices that would be fallen upon to defeat it.

A practical hardship is involved in the present mode of paying the probate and administration duties, which may deserve notice. The duty is to be paid within a short limited time after the decease of the testator or intestate individual, not on the amount of the clear personal property, but of the entire personal property of the deceased, including all debts

owing to him, "but without deducting or allowing anything on account of the debts due and owing from the deceased." (55 Geo. III. cap. 184, § 38.) The duty paid in excess, in respect of the debts owing from the deceased, is to be returned, if claimed within three years, or within such further time as the Lords of the Treasury may, under the circumstances, consider reasonable. But, in the case (and there are many such) of a small tradesman, whose debts and credits nearly balance, and are (say) about 2000*l.*, it is surely a wanton and oppressive misapplication of a tax on successions to make his family provisionally disburse 60*l.* for the privilege of winding up his affairs. And we doubt whether the reader will think that the hardship of such a proceeding is greatly alleviated by its being considerately enacted, that in the event of an executor or administrator not having money sufficient of his own or of the deceased to pay the duty, the Commissioners of Inland Revenue *may* give him credit, taking (despite the usury laws) 10 per cent. interest for the indulgence if the duty be not paid within six months, or a less period!

The legacy-duty is not open to some of the objections which apply to the duties on probates and administrations. It is imposed on the property to which it attaches, according to certain rates which (except in their connection with probates and administrations) are not unreasonable. The duty in the case of a child, or the descendant of a child of a father, mother, or other lineal ancestor of the deceased, is 1 per cent.; on a brother or sister, or the descendant of a brother or sister, 3 per cent.; uncle or aunt, or their descendants, 5 per cent.; great-uncle or great-aunt, or their descendants, 6 per cent.; and on all persons more distantly related, or strangers in blood, 10 per cent. The husband or wife of the deceased is wholly exempted, and legacies and shares under 20*l.** are not subject to the charge.

* There seems no particular reason for this exemption, except where the legatee is within the nearest degrees.

The legacy-duty is not paid in advance, but only when the legacy or share of residue itself is actually paid or retained; and it therefore, does not press, as the probate and administration duties occasionally do, on insolvent estates.

The grand objection to the legacy-duty, as well as to the duties on probates and administrations, is its limited range. It should be equal and universal, but it is unequal and partial. In fact it wholly falls, except in the instances previously referred to (which are comparatively few), on personal property; the pressure of the duty on the latter being, at the same time, materially aggravated by the pressure of the other duties. Thus, in the case of a person who dies intestate possessed of personal property which ultimately leaves a residue exceeding 1500*l.* and not above 2000*l.*, his children have to pay a tax of 60*l.* for probate-duty (with a risk of being called upon to disburse more in the first place), and 1 per cent. more for legacy-duty when the residue is ascertained, making a total charge varying from 4 to 5 per cent. on the beneficial succession. But though the proprietor of an estate of 20,000*l.* a year die intestate, his family succeed without contributing one farthing to these or to any equivalent duties.

We need not wonder that so unequal a tax should have excited much dissatisfaction. But we may well wonder that the dissatisfaction has not been greater. The exemption being made in favour of those who are supposed to be best able to bear taxes, appears to be peculiarly well fitted to provoke animadversion and discontent. It has, we are aware, been attempted to palliate its unfairness by allegations as to the comparatively greater expense of the stamps required for the conveyance of landed property. But though this excuse be not without some foundation, it has been shown, over and over again, that, after making every allowance for the extra expense now referred to, the advantage on the side of landed and other real property is still very great. The holders of personal property are, therefore, entitled to require, either that the probate and legacy duties should be abolished, or that

they should be equally assessed on all descriptions of property. Till this be done, they are unfairly and unjustly treated.

The circumstance of landed property being held under a settlement, and not passing by devise, should not be allowed to exempt it from the tax. Of what consequence is it to the public whether the succession to an estate or other property be determined by a deed of settlement entered into a century ago, or by a will only a year old, or by gift? The capacity of the property to bear taxes is the only thing deserving the attention of a financier; and it needs not be said that it cannot be affected by such considerations. If, therefore, a tax on successions be resorted to, it should, undoubtedly, be made to affect every sort of property when it descends, *mortis causa*, or in the way of gift, from one individual to another, without reference to the conditions of descent.

This, indeed, was the principle on which Mr. Pitt proposed to proceed when the probate and legacy duties were originally introduced in 1796. Instead, however, of including the duties on real and those on personal property in the same bill, it was judged better to divide them, and introduce two bills. And it reflects but little credit on the parliament of that day that, while the bill for assessing personal property was passed with but little difficulty, the bill for assessing the same duties on real property encountered a violent opposition, and was ultimately abandoned.

It would, however, be easy, provided it were wished to effect so desirable an object, to obviate the partiality and abuses inherent in the existing duties on legacies, probates, and administrations. To do this, it would only be necessary to suppress (or reduce to a merely nominal rate*) the duties on probates and administrations; and to replace them and the present legacy-duty by a new duty, fitted to produce the same or a greater amount of revenue, which should equally

* There may be a convenience in compelling, by a slight tax, all wills to be brought under the notice of the officers of the revenue.

affect *all* legacies, or beneficial successions, whatever their source, nature, or amount.

The only objection to the proposal for imposing the legacy-duty on real estates, on which any stress can be fairly laid, is the difficulty to which heirs and devisees might be exposed in raising the amount required for its payment. A heavy per centage on the value of a real estate would, it is alleged, require on the part of the owner a sale or mortgage for the purpose of procuring the means of defraying the tax, the expense of which would form a serious addition to the burden of the latter. In the case of the descent of an estate to an heir not within the favoured degrees of relationship, if a tax equivalent to both the administration and legacy duties were imposed, it would amount to between 12 and 13 per cent. of its value, and might, probably, absorb from four to five years of its clear rental. But precisely the same objections apply in the case of annuities which are subject to the legacy-duty; and special provision is made for obviating them in the legacy-duty acts by spreading the payment over a certain number of years. This provision, with the required modifications, might be applied to land. Neither need the amount of the new duty be so great as the aggregate amount of the present duties; for, by extending the duty to land and other fixed property, the taxable matter would be so much augmented, that the produce of the tax would be materially increased even though the rates of charge were considerably diminished.

It is, therefore, sufficiently obvious that nothing could well be easier than to place the duties on legacies or successions on an unexceptionable footing. Their defects, like those that attach to some customs-duties, are not of their essence, but originate entirely in the partial and unfair mode in which they have been imposed. But were they imposed, as they might be without any difficulty, fairly and equally on all sorts of property, there would be nothing to object in them, even though they were made to produce a much greater amount of revenue. We subjoin an

Account of the Nett Produce of the Revenue from Stamps and, Legacies in the United Kingdom in 1850, distinguishing the Revenue separately received on account of the different items in England, Scotland, and Ireland.

	England.			Scotland.			Ireland.			United Kingdom.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Deeds and other Instruments not included under any of the following heads	1,328,011	9	11¼	112,127	14	11¾	113,206	11	2¾	1,553,345	16	1¾
Probates of Wills and Letters of Administration	816,314	8	6	59,750	18	10	64,655	7	7	940,720	14	11
Bills of Exchange	283,124	16	8	84,434	11	0	61,429	17	3	528,989	4	11
Bankers' Notes	11,430	15	3	10,010	5	10	-	-	-	21,441	1	1
Composition for Duties on Bills and Notes of the Banks of England and Ireland and Country Bankers	26,255	1	6	-	-	-	15,660	1	0	41,915	2	6
Receipts	131,640	0	3	17,483	18	5	20,446	3	2	169,570	1	10
Fire Insurances	993,563	4	11	62,582	14	7	48,706	15	10	1,104,852	15	4
Marine ditto	148,566	14	3	13,079	3	0	1,122	14	11	162,768	12	2
Licences and Certificates	171,069	8	0	22,715	16	0	-	-	-	193,785	4	0
Newspapers and Papers for Advertisements	298,264	10	2½	32,352	16	5	19,800	18	11	350,418	5	6½
Stamps for Patent Medicines	23,427	0	8	311	10	10¾	-	-	-	23,738	11	6¾
Gold and Silver Plate	57,352	5	7¾	2,376	9	1¾	730	19	7	60,459	14	4
Cards	11,782	10	0	-	-	-	-	-	-	11,782	10	0
Dice	30	0	0	-	-	-	-	-	-	30	0	0
Advertisements	137,140	0	11	19,216	10	0	11,806	8	4	168,162	19	3
Legacies	1,141,232	8	11	110,971	8	10	55,282	3	0	1,307,486	0	9
Attorneys' Indentures and Admissions	Included with Deeds and other Instruments above, and cannot be shown separately.						8,047	10	0	8,047	10	0
Barristers' and Students' Admissions							1,580	0	0	1,580	0	0
Totals	5,679,204	15	7¼	547,413	17	10¾	422,475	10	9¾	6,649,094	4	3¾

Note.—The whole amount of Stamps on Admissions to Attornies, Students, &c., appears from the statement of the Law Society to be about 84,000*l.* annually.

CHAPTER VII.

DUTIES ON THE CONVEYANCE OF LETTERS.

The conveyance of letters by post is one of the few industrial undertakings which are better managed by government than by individuals. It is necessary to the satisfactory working of the post-office that it should be conducted with the greatest regularity and precision, and that all the departments should be made subservient to each other, and conducted on the

same plan. It is plain that such results could not be obtained in any extensive country otherwise than by the agency of government; and the interference of the latter is also required to make arrangements for the safe and speedy conveyance of letters to and through foreign countries.

The organisation of the post-office supplies one of the most striking examples of the advantages resulting from the division and combination of employments. "Nearly the same exertions that are necessary to send a single letter from Falmouth to New York will send 50,000. If every man were to effect the transmission of his own correspondence, the whole life of an eminent merchant might be passed in travelling without his being able to deliver all the letters which the post-office forwards for him in a single evening. The labour of a few individuals, devoted exclusively to the forwarding of letters, produces results which all the exertions of all the inhabitants of Europe could not effect, each person acting independently."*

The institution of posts may be traced to a very remote antiquity. It is, indeed, all but indispensable to the government of an extensive country that it should have means for the safe, regular, and speedy conveyance of public despatches from and to the capital and the different provinces. And it was in this view that posts were established among the principal nations of antiquity, and that they were originally introduced into modern Europe, in 1477, by Louis XI. of France.† In no long time, however, private individuals were allowed to avail themselves of the post to forward letters and despatches; and governments, by imposing higher duties or rates of postage on the letters and parcels conveyed by it than are sufficient to defray the expense of the establishment, have rendered the post-office productive of a considerable revenue. Nor, while the rates of postage are so moderate as not materially to affect the facility of correspondence, is there,

* Senior on "Political Economy," Encyclopædia Metropolitana.

† See Bergier, "Histoire des Grands Chemins," i. 198.; Bouchaud, "Recherches sur la Police des Romains," &c., p. 136.; "Encyclopédie Française," art. "Postes," &c.

perhaps, a less objectionable tax. "There cannot," says Blackstone, "be devised a more eligible method than this of raising money upon the subject; for therein both the government and the people find a mutual benefit. The government acquires a large revenue, and the people do their business with greater ease, expedition, and cheapness, than they would be able to do if no such tax (and of course no such office) existed."*

The post-office was not established in England till the 17th century. Post-masters, indeed, existed in more ancient times; but their business was confined to the furnishing of post-horses to persons who were desirous of travelling expeditiously, and to the despatching of extraordinary packets upon special occasions. In 1635 Charles I. erected a letter-office for England and Scotland; but this extended only to a few of the principal roads; the times of carriage were uncertain; and the post-masters on each road were required to furnish horses for the conveyance of the letters at the rate of $2\frac{1}{2}d.$ a mile. This establishment did not succeed; and, at the breaking out of the civil war, great difficulty was experienced in the forwarding of letters. At length the post-office, or establishment for the weekly conveyance of letters to all parts of the kingdom, was instituted in 1649, by Edward Prideaux, attorney-general for the Commonwealth; the immediate consequence of which was a saving to the public of 7000*l.* a year on account of post-masters. In 1657 the post-office was established nearly on its present footing, and the rates of postage that were then fixed were continued till the reign of Queen Anne.†

From the establishment of the post-office by Cromwell, down to 1784, mails were conveyed either on horseback, or in carts made for the purpose; and, instead of being the most expeditious and safest conveyance, the post had become, at the latter period, one of the slowest and most easily robbed of any in the country. In 1784 it was usual for the diligences between London and Bath to accomplish the journey in

* Black. Com., book i. c. 8.

† Ibid. book i. c. 8.

seventeen hours, while the post took forty hours; and on other roads the comparative rate of travelling of the post and stage-coaches was in about the same proportion. In consequence of this difference in point of dispatch a very great number of letters were sent by other conveyances than the mail; the law to the contrary being easily defeated by giving them the form of small parcels.

Under these circumstances it occurred to Mr. John Palmer, of Bath, afterwards Comptroller-general of the Post-office, that a great improvement might be made in the conveyance of letters, in respect of economy, as well as of speed and safety, by contracting with the proprietors of stage-coaches for the carriage of the mail; the latter being bound to perform the journey in a specified time, and to take a guard with the mail for its protection. Mr. Palmer's plan encountered much opposition, but was at length carried into effect with the most advantageous results. The use of mail-coaches speedily extended to most parts of the empire. And while letters and parcels were conveyed in less than half the time that had been required under the old system, the coaches by which they were conveyed afforded, by their regularity and speed, a most desirable mode of conveyance for travellers. Mr. Palmer was the author of several other improvements in the economy of the post-office; nor is there any individual to whom this department owes so much. *

Within the last few years, however, the construction of railways between most of the great towns of the empire has all but wholly superseded the use of mail-coaches on the principal lines of road, and has added prodigiously to the facilities of correspondence and travelling. The journey from London to Liverpool, which had been accomplished by the mail in about twenty or twenty-two hours, is now accomplished, by railway, in six hours! and on other roads in the same proportion. The principal expense of the post-office consists, however, not so much in the conveyance of letters from place to place (though that amounts to a large sum,) as

* Macpherson's "Annals of Com.," anno 1784.

in their collection and subsequent distribution after they have been conveyed to their destination. This necessitates the establishment of a great number of subordinate offices in the remoter parts of the kingdom, many of which do not defray their expenses. This is particularly the case in Ireland, and in the Highlands of Scotland.

Previously to the introduction, in 1839, of a uniform penny rate of postage under the provisions of the Act 2 & 3 Vict. cap. 52., the rates of postage increased progressively according to the distance to which letters (not privileged) were conveyed by post from place to place in the United Kingdom. The rates charged in Great Britain (with which the Irish rates were nearly identical) were, for a single letter,—

						d.
From any post-office in Great Britain to any place not exceeding 8 miles from such office					-	2
For any distance above 8 miles, and not exceeding 15 miles					-	4
15	„	20	„		-	5
20	„	30	„		-	6
30	„	50	„		-	7
50	„	80	„		-	8
80	„	120	„		-	9
120	„	170	„		-	10
170	„	230	„		-	11
230	„	300	„		-	12

And so in proportion; the postage increasing progressively 1*d.* for a single letter for every 100 miles.

Letters containing one enclosure charged with two single rates. Letters containing more than one enclosure, and not exceeding one ounce, charged with three single rates. Letters exceeding one ounce, whatever the contents might be, were charged with four single rates; and for every quarter of an ounce above that weight an additional single rate was chargeable.

On comparing the number of non-privileged letters conveyed by the general post with the gross amount of postage, it appears that previously to 1839 they paid an average rate of about 7*d.* or $7\frac{1}{2}d.$ each.

Exclusive, however, of these rates of postage, letters posted in London and other large towns for delivery in such towns,

were charged 2*d.* each in London, and 1*d.* each in the other towns in which such local posts were established.

In addition, too, to the letters on which postage was charged, all the principal officers of government, and the members of both houses of parliament, enjoyed (either to a greater or less extent) the privilege of "franking," or of sending and receiving letters by post free of postage. This privilege was very extensively exercised, and, we may add, much abused.

The gross produce, deducting overcharges, of the post-office revenue of Great Britain, exclusive of Ireland, in the undermentioned years, has been —

Years.	Duty.	Years.	Duty.	Years.	Duty.	Years.	Duty.
	£		£		£		£
1722	201,804	1810	1,675,076	1835	2,107,677	1840	1,249,248
1755	210,663	1814	2,005,987	1837	2,103,994	1841	1,369,134
1775	345,321	1820	1,993,885	1838	2,116,798	1842	1,449,162
1793	745,238	1825	2,160,390	1839	2,162,915	1843	1,519,745
1800	1,083,950	1830	2,053,720				

The progress of the Scotch branch of the post-office revenue has been quite extraordinary. In 1698, Sir Robert Sinclair of Stevenson had a grant from William III. of its entire produce, with an extra allowance of 300*l.* a year, on condition of his keeping up the post; but, after trial, he abandoned the undertaking as disadvantageous. In 1709, the Scotch post-office revenue was under 2000*l.*; whereas its amount in 1838 was 223,491*l.* gross, and 211,543*l.* nett; having increased more than a hundredfold in little more than a century! In 1781, the Glasgow post-office produced only 4341*l.* 4*s.* 9*d.*, while in 1839 it produced 47,527*l.**

The expenses of collecting the post-office revenue amounted, under the old system, to from 24 to 30 per cent. on the gross receipt.

The increase of the post-office revenue, as evinced by the above statements, has been very remarkable. It is mostly, no doubt, to be ascribed to the increase of population, the diffu-

* Stark's Picture of Edinburgh, p. 144.; Cleland's Statistics of Glasgow; Finance Book for 1838 and 1839, &c.

sion of education, and the growing intercourse among all classes of the community; though a good deal must also be ascribed to the efforts made in the early part of the reign of George III. to suppress some of the grosser abuses that had grown out of the privilege of franking, and still more to the additions that were repeatedly made to the rates of postage. Unfortunately, however, the latter were, in the end, carried far beyond their proper limits, imposing a heavy burden on the public, without any corresponding advantage to the revenue. This is evinced by the fact of the post-office revenue having continued stationary for the twenty years ending with 1839; though, from the great increase of population and commerce during that period, there can be no doubt, had the rates of postage not been so high as to force recourse to other channels, that the revenue would have rapidly increased from the termination of the war downwards. When the rates of postage are moderate, the greater despatch and security of their conveyance by post, prevent any considerable number of letters being sent through other channels. But when the rates become oppressive; when, for example, a postage (as under the late system) of 11*d.* is charged on the conveyance of a single letter between London and York, of 13*d.* between London and Edinburgh, and so on, a serious interruption is given to that facility of intercourse which is so important, at the same time that a very large proportion of the correspondence which is carried on is unavoidably forced into clandestine channels. It was, no doubt, attempted to prevent the transfer of letters from the post, by forbidding, under heavy penalties, their conveyance by private parties. But this prohibition could not be enforced, and had little effect. Considering, indeed, the facilities which have long existed for the transmission of letters in parcels between different parts of the country, and the oppressive rates of postage, the wonder is, not that the post-office revenue was nearly stationary previously to 1839, but that it did not fall off. Although, however, the rates of postage then existing, amounting, as already stated, to an average charge of about 7*d.* or 7½*d.* on all single letters conveyed by the general

post, were very decidedly too high, it did not follow that an invariable charge of 1*d.*, whether a letter were conveyed 1 mile or 1000 miles, or singly or with 10,000 others, was the precise charge that should have been imposed! But, notwithstanding this was rushing blindfold from one extreme to another, and endangering a large amount of revenue without any equivalent advantage, the project, brought forward by Mr. Rowland Hill, for a uniform penny postage, to be paid in advance, was eargerly adopted. It must be admitted, too, that it had various recommendations in its favour. Being calculated to obviate trouble and save expense to the public, it could not fail to be generally acceptable (what reduction of taxation is not?), especially to middlemen and others having an extensive correspondence. No doubt, however, the scheme was more indebted for its popularity to the oppressiveness of the old rates of postage, than to any intrinsic merits of its own. Had these rates been properly reduced in 1837 or 1838, that is, had the postage of letters of $\frac{1}{2}$ oz. weight passing between Scotland and Ireland and London been reduced to 4*d.* or 6*d.*, and other letters in proportion, and mercantile circulars, advertisements, and notices of sales, &c., been allowed to pass under covers open at the ends at 1*d.* or 2*d.* each, we venture to say that the clamour for a uniform penny postage would never have made any way. But government, though hostile to the project, took no step calculated to stop the agitation in its favour. They neither reduced the old rates of postage, nor attempted to give any increased facilities for the conveyance of letters by post. And it happened in this, as it all but invariably happens on similar occasions, that those who decline making reasonable and necessary concessions at the outset, are, in the end, compelled to concede a great deal more than would at first have been satisfactory. Such, at all events, was the case in this instance. The clamour for a uniform penny rate became too powerful to be resisted. And parliament, whether it were so inclined or not, was obliged to give its sanction to the measure. The act 2 & 3 Victoria, cap. 52., for regulating the duty on postage, did not indeed enact that the charge for conveying

letters of a given weight should, in all cases, be reduced to 1*d.*; but it was introduced to enable the Treasury to take the necessary steps to bring the change about with the least inconvenience to all parties. In this view it gave the Treasury power to alter and reduce the rates of postage, without reference to the distance which letters may be conveyed, according to the weight of the letters, and not to the number or description of their enclosures. It also gave them power to adopt such regulations as they might think expedient in regard to stamped covers or envelopes; to suspend parliamentary franking, &c.

In virtue of the powers so conveyed, regulations were issued (rendered permanent by the act 3 & 4 Vict. cap. 96.), by which all inland letters, without regard to the number of enclosures or the distance conveyed, provided they be paid when posted or despatched, are —

If not exceeding ½ oz. weight, charged 1*d.*; 1 oz. 2*d.*; 2 oz. 4*d.*; 3 oz. 6*d.*; and so on, 2*d.* being added for every additional ounce up to 16 oz., beyond which, with the following exceptions, no packet, whether subject to postage or not, is received: —

1. Parliamentary petitions and addresses to her Majesty.
2. Parliamentary proceedings.
3. Letters and packets addressed to or received from places beyond sea.
4. Letters and packets to and from public departments.
5. Deeds, if sent open, or in covers open at the sides. They may be tied with string and sealed, in order to prevent inspection of the contents, but they must be open at the sides, that it may be seen that they are entitled to the privilege.
6. Bankers' parcels, despatched from London, and specially delivered at the General Post-Office, under certain regulations.

With these exceptions, all packets above the weight of 16 oz. will be immediately forwarded to the Dead Letter Office.

All parliamentary and official franking has been put an end to; but members of either house of parliament are entitled to receive petitions and addresses to her Majesty, and petitions to parliament, free of charge, provided such petitions and addresses be sent in covers open at the ends, and do not exceed 32 oz. weight.

The punctual delivery of letters may be insured by getting them *registered* when posted. A fee of 1*s.* is charged for the registration of each letter over and above the rate of postage to which it may be liable.

To faciliate the working of the plan, government furnish adhesive stamps of 1*d.*, &c. each, which being pasted on letters, they are of course delivered to those to whom they are addressed free of any further charge for postage; and it also furnishes stamped envelopes at the low rate of 24 for 2*s.* 3*d.*, the 3*d.* being for the paper and manufacture. Hence, as any quantity of stamps or of stamped envelopes may, in most parts of the country, be procured beforehand, the necessity that must otherwise have existed of paying the postage at the moment when letters are posted, has been obviated.*

Such are the more prominent features of the new system; and no doubt it has the recommendations of simplicity (if we may apply such a phrase to a uniform charge for services costing widely different sums) and cheapness in its favour, and has greatly facilitated correspondence. But it is, notwithstanding, questionable whether its adoption was a prudent step. It is, no doubt, very satisfactory for merchants, bankers, middlemen, retail dealers, and indeed for most persons, to get letters for 1*d.* that previously cost them 7*d.* or 7$\frac{1}{2}$*d.*; but their satisfaction is not the only thing to be attended to in forming a fair estimate of the measure. The public exigencies require that a sum of about fifty-five millions a year should be raised, one way or other. And so long as we are pressed by an unreasoning necessity of this sort, it is not much to say in favour of the repeal or diminution of any tax, that those on whom it fell with the greatest severity are delighted with its abolition or reduction. Sugar has, in England, become a necessary of life; and its consumption is, to say the least, quite as indispensable to the bulk of the people, and especially to the labouring classes, as the writing of letters. But would it, therefore, be a wise measure to repeal the duty on sugar, or to reduce it to 1*s.* a cwt? It has been alleged, indeed, that taxes on the transmission of letters are objectionable on principle, and should be repealed, independently altogether of financial considerations!

* By a late regulation prepayment in money has been put an end to; and all letters sent by post must now bear the necessary stamp.

But it is easier to make an allegation of this sort than to prove it. All taxes, however imposed, if they be carried (as was the case with the old rates of postage) beyond their proper limits, are objectionable. But provided these be not exceeded, we have yet to learn why a tax on a letter should be more objectionable than a tax on the paper on which it is written, on the food of the writer, or on fifty other things.

It was contended, when the plan was under discussion, that there would be no loss of revenue, and that the increase of correspondence growing out of the reduction of the postage would be so vast as fully to balance the reduced rate of charge. But though there has been a great increase in the number of posted letters, principally occasioned by their being withdrawn from the private channels in which they were previously conveyed, it has fallen far short of this. Notwithstanding all that has been said about the *cacoethes scribendi*, letter-writing is generally looked upon as a duty rather than a pleasure. And it does not follow, when the expense of postage is reduced, that the occasions for writing letters are proportionally increased.

The total gross receipt of the post-office revenue of the United Kingdom, deducting overcharges and returned letters, amounted in 1838 (before the late changes began) to 2,346,278*l.*, while the expenses of the establishment for the same year amounted to 686,768*l.*, leaving a nett revenue of 1,659,510*l.* In 1850, however, ten years after the new system had been in full operation, the gross receipt of the post-office revenue amounted to only 2,264,684*l.*, while the expenses of the establishment for the same year amounted to 1,460,786*l.*, leaving a nett revenue of only 803,899*l.*, being no less than 855,611*l.* under its amount in 1838 despite the wonderful increase of population, education, and wealth in the interval. This, however, is not all. Of the post-office revenue in 1838, 45,156*l.* consisted of postage paid by public offices, which, being a mere charge by one government department against others, must be deducted in order to learn the nett available revenue produced by the post-office. Owing, how-

ever, to the abolition of franking, the postage charged against government departments is now greatly increased, and in 1850 amounted to no less than 109,524*l.* Hence it will be found, on deducting these sums, that in 1838 the post-office produced to government, over and above all charges, a clear available income of 1,614,354*l.*, which in 1850 was sunk to 694,375*l.*, being a nett diminution of 919,979*l.*! The subjoined account sets these important particulars in the clearest point of view (see p. 320.).

It is plain, therefore, that the adoption of the new post-office system has occasioned a sacrifice of nearly a million a year of revenue. And though it be true that a sacrifice of this amount might not, under other circumstances, have been of much consequence, it is to be borne in mind that it was incurred when the revenue was already inadequate to meet the expenditure, and when, consequently, the deficiency had to be otherwise provided for, though probably in some more onerous way. We should not, however, have thought that the loss of revenue, nor even the introduction of the uniform penny rate, was a valid objection to the new plan, had there been no means other than its adoption of getting rid of the inconveniences attached to the old system. But such was not the case. Its defects might have been obviated without any, or with but a very inconsiderable loss of revenue. Had franking been abolished, and the old rates of postage so reduced that the average charge might have been about $2\frac{1}{2}d.$ or $3d.$ a letter, the revenue would not probably have lost anything, while every really advantageous object effected by the present system would have been secured. Indeed, we see no good reason why the present rates of postage should not, and very many why they should, be doubled, or increased to $2d.$ for a letter weighing $\frac{1}{2}$ oz., $4d.$ for one weighing 1 oz., and so on. We are well convinced that, were this done, the revenue would be nearly doubled, with little or no inconvenience to the public.

The increase of the post-office revenue, while the present system is maintained, redounds in no degree to its credit; it being a necessary result of the increasing population,

An Account, showing the Gross and Nett Post Office Revenue, and the Cost of Management for the United Kingdom, for the 14 Years ending 5th January 1851, excluding from the Account, whether of Gross Revenue or Cost of Management, any Advances that may have been made by the *English* to the *Irish* Post Office, and Advances to the Money Order Office; also, disregarding in the Return for each Year any Old Debts written off, or Postage remitted, or any other Deductions which relate to previous Years. (Parl. Paper, No. 574., Sess. 1851.)

Years ending 5th January.	Gross Revenue.*			Cost of Management.†			Nett Revenue.			Postage charged on Government Departments.			Nett Revenue, ex. Charges on Government Departments.		
	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*
1838 - -	2,339,737	18	3¼	687,313	10	7½	1,652,424	7	7¾	38,528	12	0	1,613,895	15	7¾
1839 - -	2,346,278	0	9½	686,768	3	6¾	1,659,509	17	2¾	45,156	0	11	1,614,353	16	3¾
1840†‡ - -	2,390,763	10	1½	756,999	7	4	1,633,764	2	9½	44,277	13	4	1,589,486	9	5½
1841 - -	1,359,466	9	2	858,677	0	5¼	500,789	8	8¾	90,761	3	2	410,028	5	6¾
1842 - -	1,499,418	10	11¾	938,168	19	7½	561,249	11	4¼	113,255	15	10	447,993	15	6¼
1843 - -	1,578,145	16	7½	977,504	10	3	600,641	6	4½	122,161	8	9	478,479	17	7½
1844 - -	1,620,867	11	10	980,650	7	5¾	640,217	4	4¼	116,503	1	0	523,714	3	4¼
1845 - -	1,705,067	16	4	985,110	13	10¾	719,957	2	5½	109,232	13	5½	610,724	8	11¾
1846 - -	1,887,576	13	11¾	1,125,594	5	0	761,982	8	11¾	101,190	19	0½	660,791	9	11¼
1847 - -	1,963,857	9	9¼	1,138,745	2	4¼	825,112	7	5	100,354	19	0	724,757	8	5
1848 - -	2,181,016	16	0¼	1,196,520	1	6¼	984,496	14	6	121,290	13	9	863,206	0	9
1849 - -	2,143,679	19	6	§1,403,250	13	2	740,429	6	4	115,902	13	7	624,526	12	9
1850 - -	2,165,349	17	9¼	1,324,562	16	10	840,787	0	11¼	106,923	18	0	733,863	2	11¼
1851 - -	2,264,684	5	3¾	‖1,460,785	13	10½	803,898	11	5¼	109,523	13	7	694,374	17	10¼

* Namely, the gross receipts, after deducting the returns for "Refused Letters," &c.

† Including all payments out of the revenue in its progress to the exchequer, except advances to the money-order office. Of these sums 10,307*l.* 10*s.* per annum is for pensions, and forms no part of the disbursements on account of the service of the post office.

‡ This year includes one month of the fourpenny rate.

§ This includes a payment of 196,086*l.* 5*s.* 1*d.* for the conveyance of mails by railway in previous years.

‖ This includes a payment of 192,975*l.* 13*s.* 11*d.* for the conveyance of mails by railway in previous years.

wealth, and commerce of the country. The revenue would increase quite as fast under any reasonably well contrived system. All taxes on articles in general use are sure, provided they be not excessive, to increase with every increase of population and wealth.

The abolition of franking (which, however, was in nowise connected with a penny rate of postage), was by far the least exceptionable of the late alterations. Franked letters were in most instances addressed to those who could best afford to pay the expense of postage; and who in this way escaped a burden which fell with its full weight on their less opulent and less known neighbours.*

CHAPTER VIII.

LOTTERIES.

Most modern governments have endeavoured to raise a revenue by licensing lotteries; and they were authorised in this country from the Revolution down to 1823. The overweening confidence placed by every individual in his own good fortune has insured their success, notwithstanding the loss they are certain to occasion to the great majority of those who are adventurous enough to embark in them. "The world," says Dr. Smith, "never saw, and never will see, a perfectly fair lottery, or one in which the whole gain compensated the whole loss. In the state lotteries the tickets are really not worth the price which is paid by the original subscribers, and yet they are commonly sold in the market for 20, 30, and sometimes 40 per cent. advance. The vain hope of gaining some of the great prizes is the sole cause of this demand. The soberest people scarcely look

* See for further details the article Postage and Post-Office, in "Commercial Dictionary."

upon it as a folly to pay a small sum for the chance of gaining ten or twenty thousand pounds, though they know that even that small sum is perhaps 20 or 30 per cent. more than the chance is worth. In a lottery in which no prize exceeded twenty pounds, though in other respects it approached much nearer to a perfectly fair one than the common state lotteries, there would not be the same demand for tickets. In order to have a better chance for some of the great prizes, some people purchase several tickets, and others small shares in a still greater number. There is not, however, a more certain proposition in mathematics than that, the more tickets you adventure upon, the more likely you are to be a loser. Adventure upon all the tickets in the lottery, and you lose for certain; and the greater the number of your tickets, the nearer you approach to this certainty." *

The loss of money by those who embark in the lottery is, however, an inferior consideration. The real evil of the system consists in its tendency to diffuse a gambling spirit; and to make persons attempt to enrich themselves by adventuring in lotteries rather than by industry and economy. It is obvious that an institution productive of such effects is directly opposed to the growth of those qualities in the people, the promotion of which should be a principal object of every government. During the continuance of the lottery system, the gaining of a prize by an individual belonging to a country village was about the most serious evil that could befall it, inasmuch as it invariably gave a shock to industry, and spread a taste for gambling among the inhabitants. A curious instance of this was mentioned in a debate in the House of Commons on the lottery in 1819. A village in which a benefit-club, for the support of aged and infirm persons, had been established, had the misfortune to have a lottery adventurer in it, who gained a prize of 3000*l.* In consequence of this unlucky circumstance the benefit-club was immediately suppressed, and a lottery-club established

* Wealth of Nations, p. 48.

in its stead. And, not satisfied with this, many persons carried almost all their furniture, and some even their bedclothes, to the pawnbroker's, to get a little money to throw away on lottery-tickets!

In 1808 the lottery system was carefully inquired into, and its numerous abuses set in a striking point of view by a Committee of the House of Commons, who concluded their Report as follows, viz., "That the pecuniary advantage derived from a state lottery is much greater in appearance than in reality. When we take into consideration the increase of poor-rates arising from the number of families driven by speculations in the lottery, whether fortunate or otherwise, to seek parochial relief; the diminished consumption of excisable articles during the drawings, and other circumstances; they may well be considered to operate as a large deduction from the gross sums paid into the Exchequer by the contractors. On the other hand, the sum raised upon the people is much greater in proportion to the amount received by the state, than in any other branch of revenue.

"No mode of raising money appears to your Committee so burthensome, so pernicious, and so unproductive; no species of adventure is known where the chances are so great against the adventurer; none where the infatuation is more powerful, lasting, and destructive.

"In the lower classes of society the persons engaged, whether successful or unfortunate, are, generally speaking, either immediately or ultimately tempted to their ruin; and there is scarcely any condition of life so destitute and abandoned, that its distresses have not been aggravated by this allurement to gaming, held forth by the state."

The lottery never produced any considerable amount of revenue; and it is really astonishing that a system productive of such mischievous results should have been so long and so generally tolerated. It is to be hoped that it may never again make a figure in the budget of this country.

In England all private gaming-houses have been prohibited for a lengthened period. In other countries, however,

they are sometimes licensed by government, and yield a considerable revenue. The question, which of these is the preferable mode of dealing with gaming-houses, is one of no little delicacy. It is objected to their being licensed, that it has a tendency to disseminate a spirit of gambling among the middle and lower ranks; and it is, on the other hand, contended that, though suppressed in law, they exist in fact, and that their proscription, by putting them under the control of desperate and profligate characters, and securing them from the inspection of the police and the public, renders them infinitely more noxious than they would be were they legalised. It must be owned that this is a case of considerable difficulty. But, on the whole, we are inclined to think that, though our system may be more injurious to those who resort to gaming-houses, it is preferable to the other, from the stigma which it attaches to gambling, and its tendency to prevent its making much progress among the mass of the people. This opinion would also seem to be gaining ground on the Continent. Previously to 1837 the French government realised a considerable revenue by licensing gaming-houses; the licences were then, however, withdrawn, and the gaming-houses of Paris, like those of London, may now, on being discovered by the police, be suppressed as a nuisance.*

* We borrow the following account of the gains of the late legalised gaming-houses in Paris from the *Siècle*: —

"The original lease was from 1819 to 1836, but was continued for one year more. On the 31st December, 1837, when the licence was at an end, there were seven houses open in Paris, containing together seventeen tables; nine of which were for roulette, six for trente-un, and two for creps. A separate account of the gains and losses of each table was settled every month, making 204 settlements in each year. Of these 204 settlements for 1837, only seventeen showed losses. The following are the results: —

HOUSES.	TABLES.	PRODUCE. fr. c.
No. 129. Palais Royal	1 Roulette, 2 Trente-un	1,734,618 81
No. 113. Palais Royal	2 Roulettes	329,963 58
No. 36. Palais Royal	2 Roulettes, 1 Trente-un	2,254,405 45

HOUSES.	TABLES.	PRODUCE. fr.	c.
No. 154. Palais Royal -	1 Trente-un for gold 1 Trente-un for silver 1 Roulette - -	1,677,661	20
Rue Marivaux - -	1 Roulette - - 1 Trente-un - - 1 Creps - -	398,118 622,218	16 61
Frascati - - -	1 Trente-un - - 1 Roulette - - 1 Creps - -	2,271,595	80
		9,288,581	51
Deduct for losses of the seventeen monthly settlements		809,486	40
Balance of gain - -		8,479,095	11

This gain divided into the several quarters of the year shows the following results: —

	fr.	c.
First quarter - - - -	2,621,911	75
Second quarter - - - -	1,870,419	61
Third quarter - - - -	1,715,465	16
Fourth quarter - - - -	2,271,598	59
	8,479,095	11

The table which produced the greatest monthly gain in the year was one for trente-un, which in February yielded a profit of 162,837 fr. 79 c. This was during the carnival, when, from the excitement of the season, the extent of play is always the greatest. None of the tables in the Palais Royal showed a loss in any one month except that for trente-un, at which only gold was staked. Consequently, the system of gambling is the more mischievous and fatal the lower the stakes allowed to be played for. The table at which only gold was taken made a return of loss for five months out of the twelve. The trente-un table of the Cercle made six returns of loss out of the twelve.

BALANCE SHEET OF THE ACCOUNT FOR 1837.

		fr.	c.
Amount of gains - - - -		8,479,095	11
Deductions.			
Licence-rent - -	6,055,100		
Expenses of management -	350,000	7,430,100	0
Interest of caution-money -	25,000		
Nett profit - - - -		1,048,995	11

Of this profit, the city of Paris received 786,746 fr. 33 c., and the farmer of the games 262,248 fr. 78 c. The city also received out of the licence-rent 555,100 fr., which, added to its portion of the gains, made an income from this lamentable source of no less than 1,341,846 fr. 33 c."

CHAPTER IX.

CIRCUMSTANCES WHICH DETERMINE THE EXTENT TO WHICH TAXES SHOULD BE LAID ON COMMODITIES — CAUSES OF SMUGGLING — MEANS BY WHICH IT MAY BE PREVENTED.

The capacity of a tax on a commodity to raise a revenue depends, *first*, on the nature and extent of the demand for the commodity; and, *second*, on the facility with which it may be prevented from being smuggled. Every tax, by raising the price of the commodity on which it is laid, tends to bring it within the command of a smaller number of purchasers, and to lessen its consumption. Dr. Swift has shrewdly remarked that, in the arithmetic of the customs, two and two do not always make four, but sometimes only one. An individual who might be able and disposed to pay a duty of 1*s.* a bottle on wine might neither have the means nor the inclination to pay 2*s.* or 3*s.*; and, instead of being augmented, the revenue might be diminished by such increase of duty. And hence, whenever the duties on commodities are raised beyond certain limits, which, however, it is impossible to define, inasmuch as they necessarily vary according to the nature of the commodities, and the varying tastes and circumstances of society — their effect is to depress consumption to such an extent as to render them less productive than if they were lower.

Variations in the amount of the duties on commodities have the same effect on their price, and consequently on their consumption, as corresponding variations in the cost of their production. It is evident, however, that a fall, though it be considerable, in the price of articles which, being naturally dear, are principally used by the rich, will have a much less

powerful influence in increasing consumption than a corresponding fall in the price of cheaply-produced articles in general demand. A fall of 50 per cent. in the price of coaches would not add greatly to their sale; for, notwithstanding this reduction, they would still be luxuries which none but the rich could afford to use; whereas a fall of 50 per cent. in the price of gin, beer, tea, sugar, or any article in general request, would extend its sale in an extraordinary ratio. The reason is, that the middle and poorer classes, especially the latter, form by far the most numerous portion of society; and as gin, beer, &c. are even now extensively used by them, a fall of 50 per cent. in their price would bring them fully within their command, and would add greatly to their consumption. The truth of this observation is strikingly exemplified in the case of cotton goods. At the accession of George III., in 1760, their price, owing to the difficulty of their production, was extremely high, and the value of those annually brought to market did not exceed 200,000*l.* But, thanks to the genius and inventions of Hargreaves, Watt, Arkwright, Crompton, and others, the price of cottons has been so reduced that they are brought within reach of the poorest individuals. And such has been the consequent increase of demand, that, notwithstanding the extraordinary fall in their price, the value of the cottons annually manufactured in Great Britain, and either disposed of at home or sent abroad, amounts, according to the best estimates, to the immense sum of THIRTY-FOUR MILLIONS! No doubt, however, had cottons been loaded with high duties, and that reduction in their price which has been brought about by the improvement of machinery been brought about by a reduction of such duties, the effect would have been the same. The demand would have equally increased; and the greater consumption of low-taxed articles would have rendered the reduced duties more productive than the higher. Similar effects have uniformly followed from similar causes. Moderate duties on commodities in general demand being invariably found to be more productive than when they are

carried to a great height, and more productive than high duties on commodities used only by the rich.

Besides diminishing the revenue by diminishing consumption, too high duties diminish it by originating and encouraging the practice of smuggling. The risk of being detected in the smuggling of commodities, under any system of fiscal regulations, may always be valued at a certain rate; and whenever the duties exceed this rate, smuggling will be practised. Thus, if the duty on an article imported from abroad be 10, and the risk of smuggling 10 or 12 per cent., it is clear that none will be clandestinely imported. But if, while the risk continues the same, the duty be raised to 15 or 20 per cent., smuggling will immediately begin, and will very probably be carried to such an extent as to make the high duty less productive than the lower. Now there are plainly but two ways of checking this practice; either the temptation to smuggle must be diminished by lowering the duties*, or the difficulties in the way of smuggling, or its risk, must be increased. The first is obviously the most natural and effectual mode of accomplishing the object in view; but the second has been most generally resorted to, even in cases when the duties were quite excessive. Governments have usually consulted the officers employed in the collection of the revenue respecting the best modes of rendering taxes effectual; though their interests, prejudices, and peculiar habits obviously tend to disqualify them from forming a sound opinion on such a subject. With few exceptions they seem to think that to recommend a reduction of duties as a means of repressing smuggling and increasing revenue, would be to acknowledge their own incapacity to detect and defeat illicit practices. And, instead of ascribing the prevalence of smuggling to its true causes, they generally ascribe it to some defect in the laws, or in the mode of their administration, and propose to repress it by new regulations, and by increasing the number and severity of the penalties affecting the smuggler.

* "Le vrai remède à la fraude est de ne donner aucun intérêt de frauder." — *Turgot, Œuvres*, iv. 227.

As was to be expected, these attempts have proved, in the great majority of cases, signally unsuccessful. No doubt it is highly proper that every practicable effort should be made, by improving the efficacy of the revenue laws and the mode of carrying them into effect, to obstruct smuggling, and to ensure the collection of the duties. But it has invariably been found that no vigilance on the part of the officers, and no severity of punishment, can prevent the illicit supply of such commodities as are either prohibited or loaded with oppressive duties. Assuredly we have no wish to defend the practice of smuggling, or to apologise for the crimes and outrages to which it inevitably leads. But how much soever it may be condemned, it is still true that it owes its origin to oppressive taxes and vicious regulations, and that it will flourish wherever these are maintained.

"To pretend," says Dr. Smith, "to have any scruple about buying smuggled goods, though a manifest encouragement to the violation of the revenue laws, and to the perjury which almost always attends it, would, in most countries, be regarded as one of those pedantic pieces of hypocrisy which, instead of gaining credit with anybody, serve only to expose the person who affects to practise them to the suspicion of being a greater knave than most of his neighbours. By this indulgence of the public, the smuggler is often encouraged to continue a trade which he is thus taught to consider as in some measure innocent; and when the severity of the revenue laws is ready to fall upon him, he is frequently disposed to defend with violence what he has been accustomed to regard as his just property; and, from being at first, perhaps, rather imprudent than criminal, he at last too often becomes one of the hardiest and most determined violators of the laws of society." *

Those who supply cheap silks, brandy, hollands, and tobacco, though at the expence of the revenue, will never be looked upon as guilty of any very heinous offence. Most people are disposed to conclude that those who dig the

* P. 407. See also Montesquieu, "Esprit des Loix," liv. xiii. cap. 8.

pitfalls and not those who stumble into them, that the makers and not the breakers of bad laws, are really responsible for whatever mischiefs they may occasion. To create, by means of exorbitant duties, an overwhelming temptation to indulge in crime, and then to punish men for indulging in it, is obviously subversive of every principle of justice. It revolts the feelings of the people, and makes them take an interest in the worst characters—for such smugglers generally are,—espouse their cause, and avenge their wrongs. A punishment which is not proportioned to the offence, and which does not carry the sanction of public opinion along with it, can have no good effect. The true way to suppress smuggling is to render it unprofitable—to diminish the temptation to engage in it. And this is not to be done by embodying armies of revenue officers, multiplying oaths and penalties, and making our coasts the scene of bloody contests, and our courts of perjury and chicanery, but simply by repealing prohibitions and reducing the duties on smuggled commodities to a reasonable amount. We must seek in this, and in this only, for an effectual check to smuggling. Improved, and sometimes even more stringent, regulations may be required. These, however, are rarely sufficient. But whenever the profits of the fair trader become nearly equal to those of the smuggler, the latter is forced to abandon his hazardous profession. So long, however, as prohibitions and too high duties are kept up, or, which is really the same thing, so long as a high bounty is held out to encourage the adventurous, the needy, and the profligate to enter on this career, legions of excise and customs officers, backed by the utmost severity of the revenue laws, will be insufficient to hinder them.

Excessive duties defeat their object, not only by tempting the producers and dealers to evade them, but by enabling them to offer such high bribes to the inferior officers as it is very difficult for persons in their situation to resist, and against which no system of checks can ever effectually guard. In the plan hitherto pursued it is common to encourage the

officers to suppress smuggling by giving them extra rewards for detecting frauds and making seizures. These are supposed to be the best means of securing their integrity and stimulating their activity. But it is obvious that, when part of the emoluments of the inferior officers is derived from fines and seizures, it is for their interest that there should be frauds to discover, and seizures to make. And though the system may increase their vigilance in watching the proceedings of the smugglers, it will not stimulate them to attack the sources of smuggling. It is not by rat-catchers that the breed of rats is destined to be exterminated.

The oaths that have been so generally imposed on traders and revenue officers are miserably inefficient for securing the fair collection of high duties. When the oath of a trader or manufacturer is taken, government must either trust entirely to it, or they must accompany it with a system of checks to detect those who might be tempted to make a false oath. Now, in the *first* place, it is clear that, if the oath be alone trusted to, it gives those who swear falsely a very great advantage over those who do not, and thus really operates as an incentive to, and premium on, perjury. But supposing, in the *second* place, that the oath is accompanied with checks, these either are, or are not, perfect. If perfect, they render the oath unnecessary ; and if imperfect, they afford no security against false swearing and the corruption of the officers. Should a trader or manufacturer be detected in making a false oath to avoid a tax, it becomes absolutely necessary for him, if he have any regard for character, to endeavour to bribe the officer to connive at the fraud he has committed. The disgrace attached to the taking of a false oath, or the emitting a false declaration, being infinitely greater than that which is attached to mere smuggling, the temptations that will be held out to the officer to make him conceal or overlook the crime will be proportionally great. And thus it is that the intermixture of oaths (or declarations) and checks, opens a new source of corruption that is different from, and more powerful than, the desire to evade

duties, and which seldom fails to paralyse the best contrived system of regulations.*

Too high duties on any description of commodities occasion smuggling; but it is chiefly caused by their being laid on commodities in general demand the natural or necessary price of which is not very considerable. It is commonly said, when a proposal is made for laying a heavy duty on a low-priced article, that its lowness of price fits it to bear the duty, and that, notwithstanding its imposition, it will continue to be sold at a sufficiently moderate rate. But the encouragement to smuggling depends more on the proportion which the duty bears to the price of the commodity than on the circumstance of its being absolutely high or low. To illustrate this, let us suppose that a taxed article, such as soap, costs, exclusive of duty, 10*d.* a pound. If a duty of 1*d.* a pound were laid on it, the inducement to smuggle would be equal to 10 per cent. of the value of the article; and if the duty were 2*d.* the inducement would be 20 per cent., and so on. Now let us suppose that the cost of producing the soap, or its natural price, falls to 5*d.*: a duty of 1*d.* a pound would then make an inducement to smuggle of 20 per cent. of its value, and a duty of 2*d.* would be an inducement of no less than 40 per cent. And hence it is obvious that, to prevent smuggling, a system should be adopted, precisely the reverse of that which is generally followed in the imposition of taxes. Instead of making duties vary inversely as the price of commodities, that is, instead of raising them when their cost is diminished, and reducing them when it is increased, they should be made to vary directly as this cost, rising when it rises, and falling when it falls. Disproportionally heavy taxes are the great cause of smuggling. They, also, by preventing its being corrected by its natural and proper penalty, the confiscation of the smuggled articles, force recourse to be had to extraordinary pains and inflictions, till all proportion of punishment being done away, "*des gens qu'on ne saurait regarder*

* Hamilton's "Principles of Taxation," p. 22.

comme des hommes méchants, sont punis comme des scélérats; ce qui est la chose du monde la plus contraire à l'esprit du gouvernement modéré." *

If, however, there should be any commodity in extensive demand, which, from the greatness of its bulk, as compared with its value, or from its susceptibility of being impressed with a stamp, or any other cause, is not easily smuggled, such commodity (provided it be in other respects advisable) may be charged with a comparatively high duty. But as a general rule, and in the absence of the peculiarities now referred to, it cannot be doubted that, to prevent fraud, duties should be proportioned to the cost of the articles on which they are laid.

It would be useless to enter in this place into any lengthened details to prove the truth of what has been said above in respect to smuggling. Unluckily the entire financial and commercial history of the country abounds with instances in point, many of which must be familiar to every reader. The prohibition of foreign products, or the imposition of heavy duties on foreign or native products, does not take away the taste for them. On the contrary, it would seem as if the desire to obtain prohibited or over-taxed articles acquired new strength from the obstacles opposed to its gratification.

"Per damna, per cædes, ab ipso
Ducit opes animumque ferro."

The prohibition of foreign silks which existed previously to 1826 did not hinder their importation in immense quantities. The vigilance and integrity of the custom-house officers were no match for the ingenuity, daring, and *douceurs* of the smugglers. And at the very moment when the most strenuous efforts were made to effect their exclusion, the silks of France and Hindostan were openly displayed in Almack's, in the drawing-rooms of St. James's, and in the House of Commons, in mockery of the impotent legislation by which it was at-

* Esprit des Loix, liv. xiii. cap. 8.

tempted to shut them out. There is, in truth, great room for doubting whether the substitution of an *ad valorem* duty, for the old system of prohibition, was at first productive of any material increase in the imports of foreign silks. The repeal of the prohibition was a most judicious measure; but the duty being unfortunately fixed at too high a limit it gave an overwhelming stimulus to smuggling. The expense of the clandestine importation of silks from France has been roughly estimated at about 15 per cent. *ad valorem;* and as the duty on silks, down to 1845, was double that amount, or 30 per cent., we need not wonder that it was estimated, by well informed parties, that from a third to a half of the total quantity of imported silks escaped the duty. Indeed every one is aware that their clandestine importation was carried on to a great extent, within the port of London, and in the custom-house itself, by the corruption and connivance of the officers! And this, we may be assured, is not a solitary instance. The corruption of the officers is in truth an inevitable consequence of the over-tax system.

The enormous duties that were imposed previously to 1823 on home-made Scotch and Irish spirits produced, as will be afterwards seen, an extent of smuggling and demoralization of which it is not easy for those who have not attended to such matters to form an idea. At present, however, the duties on tobacco, brandy, and hollands, but especially the first, are the grand incentives to smuggling. The preventive water-guard, the expense of which exceeds 360,000*l.* a year, is kept up for little other purpose than to hinder the clandestine importation of these articles. But notwithstanding its efforts, considerable quantities of them find their way into the country without being subjected to any duty. And how should it be otherwise? The price of tobacco, brandy, and hollands in the contiguous continental ports may, at an average, be taken, the first at from 4*d.* to 6*d.* per lb., and the two latter at about 4*s.* or 4*s.* 6*d.* a gallon: and as the duty on tobacco is 3*s.* 2*d.* per lb., and on brandy and hollands 15*s.* a gallon, need we be surprised to learn that, allowing for the expenses of smuggling, if one cargo out of three be safely landed, the business is as profitable

as it is adventurous and exciting? A trade that would otherwise have been harmless, or advantageous, has thus, through fiscal rapacity, been perverted into a source of vice and crime. The excess of duty tempts great numbers of people to despise and trample on the law. It renders smuggling, though probably the most direct road to the gallows, a favourite occupation; and makes the smuggler, even when soiled with the blood of some revenue officer, an object of public sympathy and support.

It may, however, be right to state that it must not be imagined that the mere diminution of an oppressive duty on any article will put down the smuggling to which the duty may have given rise. The diminution may not be sufficiently great; and if so, it will have but little influence. Thus, taking as above the cost of smuggling French and other foreign silks into England at 15 per cent. *ad valorem*, a reduction of the late duty of 30, to 25 or even 20 per cent. would, it is plain, have done little or nothing to prevent their clandestine importation. But its reduction, in 1845, to 15 per cent. by taking away the supposed advantage on the side of the smuggler, has all but destroyed his occupation. In reducing duties, either for the prevention of smuggling or the increase of consumption, the reduction must be effectual to its end; that is, in the former case, it must be such as to bring the duty below, or nearly to the level of, the cost of smuggling, and in the latter it must be such as to bring the article within the command of a decidedly larger class of consumers. A reduction of 5*s.* or 6*s.* from the late duty of 22*s.* 10*d.* a gallon on foreign brandy and hollands would have been of no use; for it would not have had any sensible influence either in lessening smuggling or increasing consumption. Even the reduction effected in 1845, by Sir Robert Peel, of 7*s.* 10*d.* a gallon was too small to have the desired effect. It should have been at least 10*s.* a gallon. (See *post.*)

These considerations show the degree of weight which should be attached to the statements of those who endeavour to excuse or apologise for exorbitant duties, by showing that they have sometimes been reduced without any material in-

crease taking place in the consumption of the articles on which they are laid, or any material diminution of smuggling. In exemplification of this, it has been stated that though the duty on tobacco was reduced in 1825 from 4*s.* to 3*s.* per lb., the consumption was not increased in anything like the same proportion; and that, notwithstanding the rapid growth of population, a period of ten years elapsed before the tobacco revenue rose to its former level. But no one acquainted with the facts could have anticipated any other result. Taking the cost of tobacco at an average at 6*d.* per lb. (which is beyond the mark), the duty previously to and since the reduction has been respectively 800 and 600 per cent. *ad valorem!* And it is needless to say that the least of these duties holds out an overwhelming temptation to smuggling and fraud. The truth is that the reduction of duty in 1825 was an ill-advised measure; and there is perhaps no great reason to conclude that the further reduction of the present duty of 3*s.* 2*d.* per pound to 2*s.* 2*d.* would be much wiser, or that, while it sacrificed revenue, it would be at all sufficient to suppress illicit practices. It is idle, therefore, by referring to instances of this sort to endeavour to make it be believed that an adequate diminution of taxation is not followed by a corresponding increase of consumption. Had the duty on coffee, instead of being reduced in 1808 from 1*s.* 8*d.* per lb. to 7*d.*, been reduced only to 1*s.* 3*d.* (the proportion in which the tobacco-duty was reduced), the effect would have been all but imperceptible; and instead of the consumption being immediately increased from about 1,000,000 lbs. to 9,000,000 lbs., the presumption is it would not have been increased to 1,500,000 lbs. In taxation, as in everything else, unless the means be adequate to the desired ends, the result will be nothing. If you offer a premium of 8 to 1 on smuggling, do you imagine you will abate the nuisance you have called into existence by reducing the premium to 6 to 1 or 4 to 1? It will be found in every case in which a reduction of duty is not followed by a more than corresponding increase of consumption, that the article continues to be over-taxed, or that the duty left upon it either exceeds the cost of smuggling, or places it

beyond the reach of those who might otherwise become its consumers. We are bold to say that no instance can be found in the financial history of this or any other country of an adequate reduction of the duty on an over-taxed article not being followed by a cessation of smuggling and a great increase of consumption.

There seem to be pretty good grounds for thinking that were the duty on tobacco reduced to 1*s.* or 1*s.* 6*d.* per lb., such a check would be given to smuggling and fraud, that in no very lengthened period the revenue might not lose materially by the measure. But any less reduction than this would serve no good purpose; and all things considered, it would seem that the question of the tobacco-duty may be advantageously postponed. There are other duties the reduction of which is of incomparably greater importance. Except, indeed, in the encouragement it gives to smuggling, there is nothing to object to in the tobacco-duty. It is assessed on a filthy and an offensive luxury. The habit of smoking and snuffing, though not followed by the same bad consequences as the habit of gin-drinking, is notwithstanding most injurious. It is extremely prevalent among even the poorest classes; and the expenses into which it leads them are much greater than would be readily supposed by those who have not paid some attention to the subject. We have been assured, for example, on excellent authority, that in an agricultural parish in the south of Scotland, with a population of about 600 families, and without a single resident landlord, the expenditure on tobacco exceeds 1000*l.* a year. And this is not in any respect a peculiar instance. The total expenditure on tobacco in the United Kingdom is probably little, if at all, under 9,000,000*l.* a year. It has been estimated by Mr. Porter, the well-informed secretary to the Board of Trade, at about 7,600,000*l.** But Mr. P., though he has allowed for adulteration, has not allowed for the quantities clandestinely imported; and he has also, perhaps, underrated the profits of the retailers, which,

* Mr. Porter's tract "On the self-imposed Taxation of the Working Classes."

especially in country districts, are necessarily very great. But assuming the cost to be 8,000,000*l.*, it is equivalent, at 40*l.* a year each, to the subsistence of 200,000 families, or 1,000,000 individuals. And of this immense sum more than three fourths is contributed by the labouring classes. If, therefore, the smuggling of tobacco could be put down (of which, however, there is very little chance) without a reduction of the duty, it would be folly to touch it. And in dealing with the duty it should be fixed, independently of other considerations, as near as possible to the limit, whatever it may be, fitted to yield the maximum amount of revenue.

The smuggling of prohibited and over-taxed articles, and the corruption of the officers, are not, however, the only evils to which the over-tax system is sure to lead. It also occasions, or, at all events, encourages, the fraudulent manufacture of spurious articles, and their substitution for, and admixture with, those that are genuine. A paper by Addison, in the "Tatler," No. 131., does justice to the ingenuity of the home producers of wine, who were originally called into existence by the high duties laid on foreign wines in the reign of William III. "There is," says the accomplished essayist, "in this city a certain fraternity of chemical operators, who work under-ground in holes, caverns, and dark retirements, to conceal their mysteries from the eyes and observation of mankind. These subterraneous philosophers are daily employed in the transmutation of liquors; and, by the power of magical drugs and incantations, raise under the streets of London the choicest products of the hills and valleys of France. They can squeeze Bordeaux out of the sloe, and draw champagne from an apple. Virgil, in that remarkable prophecy,—

Incultisque rubens pendebit sentibus uva (*Ecl.* iv. lin. 29.)—

seems to have hinted at this art, which can turn a plantation of northern hedges into a vineyard. These adepts are known among one another by the name of wine-brewers, and, I am

afraid, do great injury not only to her Majesty's customs, but to the bodies of many of her good subjects."

But, despite the wit of Addison and the more formidable prosecutions of the Excise, this fraternity continues to be as vigorous and flourishing as ever. And it is commonly believed, that from a third part to a half of the champagne and sherry (or rather of the trash called by these names) sold in London is the produce of the home presses!

The adulteration of the inferior qualities of tea, which are burdened with an enormous duty of above 200 per cent. *ad valorem*, is extensively carried on; chicory, as previously seen, is very largely substituted for coffee; from 10,000 to 12,000 tons of potato-flour and other adventitious matters are believed to be annually disposed of as sugar*; and those who buy brandy and hollands, on the assurance and in the belief that they have come from Cognac and Schiedam, most frequently, perhaps, purchase the produce of the British distilleries. The adulteration of tobacco, especially of snuff, is exceedingly prevalent; and it appears to be the general opinion of those best acquainted with the trade that the revenue derived from tobacco suffers more from this practice than from its clandestine importation. Duties, in truth, cease to be productive if carried beyond certain reasonable limits. When pushed beyond their natural bounds, their increase, instead of increasing revenue, occasions only an increase of smuggling and fraud.

Spain may be referred to in illustration of what is now stated. The manufactures of the Peninsula being in the most backward state imaginable, there is a proportionally great demand for foreign goods. But the latter being, down to a recent period, either prohibited or loaded with oppressive duties, were almost wholly supplied by the smuggler. The severities occasionally inflicted on the latter, instead of abating,

* It is a curious fact that potato-starch when treated with sulphuric acid becomes sugar. A manufacture of such sugar is now carried on at Stratford.

seem really to have increased, the evil of smuggling. The contraband trade has long been a favourite occupation, and has been eagerly followed by the adventurous, the necessitous, and the desperate. For a lengthened period from 100,000 to 150,000 individuals have been pretty constantly engaged in this occupation; that is, they have been engaged in trampling on the laws, obstructing their officers, and committing acts of violence and blood.

And, strange to say, notwithstanding the ruinous influence of this wretched system was long since exposed by Ulloa, Campomanes, Jovellanos, and other distinguished Spaniards, and by Mr. Townsend and other foreigners who had visited the country, and notwithstanding all the vicissitudes Spain has undergone during the last half century, her old anti-commercial policy continued to maintain its ascendancy down to 1849. The tariff was divided into classes; and in addition to innumerable prohibitions, and exorbitant duties on many articles of the first importance, the numerous forms to be observed at the custom-house, and the delays in entering any article, constituted of themselves a considerable premium on smuggling. It is stated that of late years about 3,000 actions were annually instituted against *contrabandistas* and others engaged in illicit trade, which terminated in the ruin of a vast number of families; at the same time that the courts of law were filled with perjury, and the country with bloody conflicts. And yet these atrocities did not secure any one object government had in view. Native manufactures were not improved, and the customs revenue was all but annihilated.

Notwithstanding their being absolutely prohibited, English and French cotton goods might very lately be bought in every shop in Madrid, and generally throughout Spain; the former at from 20 to 30 per cent. above their price in Gibraltar, where they are about as cheap as in Manchester; and the latter at from 20 to 30 per cent. above their price in Bayonne, which is nearly identical with their price in Rouen. While Cadiz was a free port, about 6,000 persons are said to have been employed in it twisting cigars, which, as soon as

finished, were forthwith smuggled into the interior. Three-fourths, in fact, of the foreign trade of Spain was in the hands of the *contrabandistas*, and was carried on in defiance of the law. And when such has been the case, need we wonder at the low state of industry, or at the prevalence of those ferocious and sanguinary habits which disgrace the Spanish character?

But, as Hume has observed, there is an extreme point of depression in human affairs from which, when it has been attained, they begin to ascend. The commerce of Spain appears to have sunk, previously to 1849, to the lowest level. And we are glad to have to state, that, despite the strong prejudices to the contrary, a new tariff was enacted in the course of that year, which, though it leaves much to be desired, has effected many important alterations. And we would fain hope that the benefits of which it has already been, and no doubt will continue to be productive, may pave the way for other and still greater improvements. The establishment of a tariff on sound and liberal principles would do more than anything else to awaken industry in Spain from its long trance, and to promote her prosperity.

CHAPTER X.

COMPARATIVE PRODUCTIVENESS OF HIGH AND LOW TAXES.

The statements and reasonings in the previous chapter are sufficient to establish the superior productiveness of taxes on commodities when confined within moderate limits. But the subject deserves to be treated at greater length. And as the history of taxation, both in this and other countries, furnishes various conclusive and well-established proofs of

this important principle, we shall take leave to bring a few of them under the notice of the reader. They will consist indifferently either of instances in which a reduction of duty has been followed by an increase of revenue; or of instances in which an increase of duty has been followed by a diminution of revenue.

The reductions made in the duties on tea in 1745 and 1784 strikingly evince the superior productiveness of moderate duties on articles in general demand. Previously to 1745 tea was charged with an excise duty of no less than 4*s.* per lb., and with a customs duty of 14 per cent. *ad valorem:* and it appears that, at an average of the five years ending Midsummer, 1745, the teas entered for consumption amounted to 768,520 lbs. a year, yielding an average excise and customs revenue of 175,222*l.* a year. But though the taste for tea was then comparatively little diffused, it was well known that its clandestine importation was extensively carried on, and that its real was much greater than its apparent consumption. To check this illegitimate traffic, which enriched the smuggler at the expense of the revenue and of the fair trader, a bill was carried through parliament in 1745, in pursuance of the recommendation of a Committee of the House of Commons, by which the excise duty on tea was reduced from 4*s.* to 1*s.* per lb. and 25 per cent. *ad valorem:* and as the price of the teas sold at the Company's sales was then about 4*s.* per lb., the 25 per cent. was, in fact, equivalent to 1*s.* per lb., making the new excise duty 2*s.* per lb., being a reduction of 50 per cent. This measure, which had in a great degree the merit of originality, was eminently successful. In the year immediately after the reduction of the duty, the entries of tea for consumption amounted to about 1,800,000 lbs., being nearly three times as much as they had amounted to in the last year of the high duties; and the increase in the second and third years of the new system was also most striking. But to set the operation of this well-considered measure in the clearest point of view, we subjoin

An Account of the Quantities of Tea entered for Consumption, and of the Produce of the Excise and Customs Duties thereon during each of the Five Years preceding and subsequent to Midsummer, 1745, when the Excise Duty on Tea was reduced from 4*s.* to 2*s.* per lb.

Years.	Quantities.	Duties.		Years.	Quantities.	Duties.
	lbs.	£	*s.*		*lbs.*	£
1741	880,700	200,799	0	1746	1,800,000	230,400
1742	836,200	190,653	10	1747	2,000,000	256,000
1743	797,200	181,761	10	1748*	2,600,000	358,800
1744	708,500	161,538	0	1749	2,700,000	372,600
1745	620,000	141,360	0	1750†	2,700,000	372,600
Totals - -	3,842,600	876,112	0	Totals - -	11,800,000	1,590,400
Average of 5 Years	768,520	175,222	8	Average of 5 Years	2,360,000	318,080‡

* In 1748, 5 per cent. was added to the customs duty on dry goods; but its influence on tea was next to imperceptible.

† In 1752 the entries increased to 3,000,000 lbs.

‡ This measure was principally carried by the exertions and through the influence of Sir S. T. Janssen, alderman and representative of the city of London. The above account is abstracted from a statement by Janssen in Postlethwaite's Dictionary, art. "Tea," in which the operation of the measure is shown more in detail. We borrow from this statement the following paragraphs: —

"This experimental trial upon the article of 'tea' was the first of the kind, of any material consequence, which was ever made to prove, that the lowering of a high duty upon an article of consumption hath considerably advanced the produce of the public revenue upon such article, by occasioning the surprising general increase of its consumption.

"It shows that a foreign commodity, even of a luxurious nature, may become a general article of consumption, and be rendered fashionable and habitual amongst all ranks and degrees of people, in consequence of reducing a high duty thereon to a moderate one, and thereby augment the revenue, in proportion to the general augmentation of the consumption of such foreign commodity.

"It indicates the next degree to a demonstration, that duties upon commodities may be strained to so high a pitch as to cause a general diminution in their consumption, and consequently to occasion a proportionable diminution in the public revenue which used to arise from the high duty. It excites the unfair trader to act in concert with the smuggler, and the latter to hazard his life to reap the advantage which so great a temptation lays before him. It induces the consumer to enter into a close connection with the smuggler, in order to come at the

But notwithstanding this unanswerable demonstration of the superior productiveness of moderate duties, they were again increased in 1759; and fluctuated, between that epoch and 1784, from about 65 to 120 per cent. *ad valorem*. The effects which followed this inordinate extension of the duties are equally instructive with those which followed their reduction. The revenue was not increased in anything like a corresponding proportion; and as the use of tea had become general, smuggling was carried on to an infinitely greater extent than at any former period. In the *nine* years preceding 1780, above 118 million lbs. of tea were exported from China to Europe in ships belonging to the continent, and about 50 million lbs. in ships belonging to England. But from the best information attainable it appears that the real consumption was almost exactly the reverse of the quantities imported; and that, while the consumption of the British dominions amounted to above 13 million lbs. a year, the consumption of the continent did not exceed five and a half millions. If this statement be nearly correct, it follows that an annual supply of about *eight* million lbs. must have been clandestinely imported into this country, in defiance of the revenue laws. And this was not the worst effect of the high duties; for many of the retail dealers who purchased tea at the East India Company's sales being in great measure beaten out of the market, endeavoured to put themselves into a condition to withstand the competition of the smugglers, by adulterating their teas, or mixing

commodity which fashion and pride have made necessary to him, since his pocket cannot otherwise reach it.

"It proves that the price of teas has fallen so very considerably, in consequence of the government adopting this plan, that the custom of tea-drinking has since become universal throughout the kingdom, amongst all degrees of people: that the smuggling of this article is greatly abated, and that a surprising increase in the consumption of sugar has ensued, to the great improvement of the sugar colonies, as well as the great increase of the revenue by the duty on sugar: and all these consequences have naturally attended an increase in the consumption of teas, chiefly and principally owing to the lowering the high duty thereon."

them with sloe and ash leaves.* At length, in 1784, Mr. Pitt, after every other resource for the suppression of smuggling had been tried in vain, resolved to follow the precedent of 1745, and reduced the duty on tea from 119 to 12½ per cent. This measure was as successful as the former. Smuggling and the practice of adulteration were immediately put an end to. The following statement shows that the quantity of tea sold by the East India Company was about trebled in the course of the two years immediately following the reduction.

	lbs.
In 1781 the quantity of tea sold at the East India Company's sales amounted to - - -	5,023,419
1782 - - - - - -	6,283,664
1783 - - - - - -	5,857,883
1784 (duties reduced) - - - -	10,148,257
1785 - - - - - -	16,307,433
1786 - - - - - -	15,093,952
1787 - - - - - -	16,692,426†

While the quantity of tea sold at the Company's sales was thus rapidly augmented in consequence of the reduction of the duty, the quantity imported into the continent from China, which had, in 1784, amounted to 19,027,300 lbs., declined with still greater rapidity, and, in 1791, was reduced to only 2,291,500 lbs.‡

The duties on tea, at an average of the five or six years preceding 1784, produced about 700,000*l.* a year. And, on their being reduced to 12½ per cent., an additional duty estimated to produce 600,000*l.*, was laid on windows, as a commutation tax, to compensate for the deficiency which it was supposed would take place in the revenue derived from tea. But instead of the duties falling off in the proportion of 119 to 12½, or from 700,000*l.* to 73,000*l.*, they only fell off, in consequence of the increased consumption, in the proportion of about *two* to *one*, or from 700,000*l.*

* Macpherson's "Commerce with India," p. 208.; Milburn's "Oriental Commerce," vol. ii. p. 540.

† Macpherson's "Commerce with India," p. 416.

‡ Ibid., p. 210.

to 340,000*l.* The Commutation Act has been always regarded as one of the most successful financial measures of Mr. Pitt's administration. The plan was generally understood at the time to have been suggested by Mr. Richardson, accountant-general of the East India Company. But the popularity of the measure was so great as to induce other parties to claim this honour, and even to occasion some sharp disputes on the subject in the House of Commons. In point of fact, however, the merit of originally suggesting the plan can hardly be said to have belonged either to Mr. Richardson or to any of those who then claimed it. And such of our readers as will take the trouble to look into a pamphlet ascribed to Sir Matthew Decker ("Serious Considerations on the Present High Duties"), published in 1743, will find that a measure similar in principle to that adopted in 1784 had been strenuously recommended forty years before.

The exigencies of the contest in which we were soon after engaged, made the principle of the Commutation Act, and the striking advantage that had resulted from the reduction of the duty, be lost sight of. In 1795 the duty was increased to 25 per cent.; and after successive augmentations in 1797, 1798, 1800, and 1803, it was raised, in 1806, to 96 per cent. *ad valorem*, at which it continued till 1819, when it was raised to 100 per cent. on teas above 2*s.* per lb. We have exhibited the influence of these duties on consumption in the "Commercial Dictionary" (Art. Tea), to which we beg to refer the reader; for as their influence was mixed up with that of the Company's monopoly, it would lead us into inquiries unsuitable to this work were we to attempt to exhibit in this place the operation of the duties only.

But nations are slow and reluctant learners; and despite our previous experience, the tea-duties are, at this moment, excessive in amount, and their assessment grossly partial and unfair. When the tea-trade was thrown open by the abolition of the Company's monopoly in 1834, the following duties were imposed on teas when entered for consumption, viz.:—

	s.	d.	
Bohea - - - - - -	1	6	per lb.
Congou, twankay, hyson skin, orange pekoe, and campoi	2	2	„
Souchong, flowery pekoe, hyson, young hyson, gunpowder, imperial, and other teas not enumerated -	3	0	„

Inasmuch, however, as the prices of bohea and congou in bond rarely exceed, the former 9*d.* or 1*s.*, and the latter from 1*s.* to 1*s.* 10*d.* per lb., the above duties were obviously a great deal too high. And when it is further considered that these descriptions of tea are largely consumed by the lower and middle classes, and are in fact necessaries rather than luxuries, the duties will appear to have been as impolitic and oppressive as they were disproportioned to the cost of the articles on which they were imposed. Had the duties on bohea been reduced to 10*d.*, and on congou to 1*s.* per lb., they would have been, if anything, too heavy. But the above rates of duty were so exorbitant that they could not fail to reduce the consumption—directly, by the enormous additions they made to the price of tea; and indirectly, by the encouragement they gave to adulteration.

The above scale of duties was not, however, long in operation. Though the qualities and prices of different sorts of tea differ very widely, as much so as the qualities and prices of different sorts of wine, the proximate varieties are not easily distinguishable. And it was alleged that practically it was impossible to discriminate between the teas on which different rates of duty were to be paid; and that teas admitted at one port at the low duty of 1*s.* 6*d.* were charged at other ports with the higher duties of 2*s.* 2*d.* and 3*s.* per lb. It cannot be doubted that there was some considerable foundation for these statements; though well-informed parties believed them to be exaggerated, and thought that, by confining the importation of teas to two or three principal ports, and employing officers well acquainted with their qualities, a classified scale of duties might have been enforced with sufficient fairness. It was only, indeed, in the substitution of congou for bohea that any considerable frauds either could or were alleged to take place. And supposing they could not

otherwise have been got rid of, the better plan would have been to have admitted congou, or all black teas, at the same duty as bohea, or rather at a duty of 10*d.* or 1*s.* per lb. Had this been done, and the duties on other descriptions of tea been allowed to remain as before, the grievance complained of would have been sufficiently redressed, and a very great boon conferred on the public.

This course was not, however, adopted. Government, influenced partly by a wish to get rid of the outcry raised by the importers against the discriminating duties, and partly, perhaps, by a doubt whether they could be fairly collected, consented to their abolition. This was effected by the statute 5 & 6 William IV. cap. 32., which enacted, that from the 1st of July, 1836, a duty of no less than 2*s.* 1*d.* (increased in 1840 to 2*s.* 2¼*d.*) per lb. should be charged on all teas entered for consumption in the United Kingdom. But while we admit that the necessity of the case, or the impossibility of fairly assessing discriminating duties, may have justified their repeal, and the imposition of a single duty in their stead, we contend that nothing can justify the magnitude of this single duty, which is, beyond all question, the most objectionable in our tariff.

It has, we are aware, been alleged that the duty of 2*s.* 2¼*d.* per lb. is not really so bad as it looks; that it is a mistake to suppose that the lower classes use inferior teas; and that the reduction of the duty on them would not materially increase their consumption! But those who make such statements either know nothing of the facts of the case, or reckon on the ignorance of those to whom they address themselves. It appears from the official returns, that in 1816-17 and 1817-18, the price of bohea sold at the Company's sales was about 2*s.* 6*d.*, so that it must have cost the buyer, duty included, about 5*s.* per lb.; and in these years the consumption amounted, at an average, to 1,784,000 lbs. a year. But in 1830-31 and 1831-32, when the price of tea to the buyer was reduced to 3*s.* 4*d.* per lb. (1*s.* 8*d.* price, and 1*s.* 8*d.* duty), the consumption rose to 6,285,000 lbs.; showing, beyond all dispute, that a fall of 1*s.* 8*d.* in the price of bohea had more

than trebled its consumption! And though St. Augustine has said that *Nullum mendacium tam impudens est ut teste careat*, we hardly think that any one will venture to affirm, in the teeth of an experiment like this, that bohea is not used, when it can be procured, by the poorer classes; or that the demand for it would not be very greatly extended by a reduction of 1*s.* 2*d.* or 1*s.* 3*d.* per lb. in its price.

Taking the average price of bohea in bond in London at 8*d.*, 10*d.*, or 1*s.* per lb., a duty of the same amount would, of course, be equal to the *ad valorem* duty of 100 per cent. under the Company's regime, which is certainly high for a duty on a necessary consumed by the poor. But even with a duty of 1*s.* per lb. bohea might be retailed at 2*s.* or 2*s.* 4*d.* per lb.; and at this price there can be no manner of doubt the consumption would amount to ten or twelve millions of pounds. The reduction of the duty on congou to 1*s.* per lb. would, also, be of the greatest importance to the lower and middle classes. And the powerful stimulus it would give to consumption, and consequently, also, to the demand for sugar, which is indispensable to the use of tea, makes it all but certain, that in no very lengthened period the revenue would lose little by the change.

We admit, however, that the proposed plan would occasion at the outset a very considerable loss of revenue, amounting to, perhaps, from 1,000,000*l.* to 1,500,000*l.* a year. But this loss might be advantageously compensated by adding $\frac{1}{2}$ per cent. to the house-tax, and extending it to all houses under 20*l.* a year. A measure of this sort, besides being, as already seen, just and proper in itself, would be in accordance with the precedent set by Mr. Pitt in 1784. And while it would be advantageous to the trade of the country, the occupiers of houses would gain more by the fall in the price of teas than they would lose by the imposition and increase of the house-tax. A duty of 4 per cent. on a house of 10*l.* a year would only amount to 8*s.* And supposing the duty on black teas to be reduced to 1*s.* per lb., a fall of 1*s.* $2\frac{1}{4}$*d.* per lb. would be effected in their price; so that, supposing the consumption of tea by families occupying 10*l.* houses to amount, at an average,

to only 10 lbs. a year, they would save 3*s*. 10½*d*. a year, or nearly half their house-tax, by the commutation.*

Taking the price of bohea and low congou in bond in London at 1*s*. per lb. (and it is usually less), the duty of 2*s*. 2¼*d*., with which they are at present charged, is equivalent to an *ad valorem* one of considerably more than *two hundred* per cent.: whereas, taking the price of the hyson and other superior teas consumed by the rich at from 3*s*. to 4*s*. per lb., the duty on them does not exceed from about 50 to 67 per cent. *ad valorem*, that is, it does not amount to more than from ¼ to ⅓ part of the duty laid on the teas consumed by the poor! Surely, however, this is neither an age nor a country in which an anomaly of this sort can be safely maintained. The public necessities require that the tea, sugar, and other necessaries of the poor should be taxed; but the obvious principles of justice, also, require that the duties on them should be, if not lower, at all events no higher than those laid on the necessaries or luxuries of the rich. The existing tea-duties contradict this plain principle, and are at once unjust and exorbitant. The duty on bohea and the lower congous should not, in fact, exceed 6*d*. or 8*d*. per lb. And means may be found, in the commutation we have ventured to suggest, of reducing it to that amount.

It has been supposed that such an effectual reduction of the duties on tea, would greatly increase our trade with China. But others doubt whether such would be the case, so far, at least, as regards our exports, and we are inclined to agree with them. The demand of the Chinese for opium far exceeds their demand for any other foreign product; and it is at present and has long been the most advantageous article of export to China. The presumption, consequently, is, that were increased quantities of tea sent from China, it would lead rather to an increase in the imports of opium than of the cottons or hardware of England; or it might, perhaps, check or lessen the heavy drain for bullion that is now operating

* The saving on 10 lbs. tea would be 11*s*. 10½*d*., being 3*s*. 10½*d*. more than the house-duty.

on China. But though it might not increase our exports to China, it would not fail to make a corresponding addition to those to India, which furnishes the opium sent to China. Every increase of imports is sure to occasion, directly or indirectly, an equal increase of exports. But whatever may be its immediate or remote influence on the trade with the East, a reduction of the duty on tea is required by other and more pressing considerations, by a regard to the well-being of our own people, and to those principles of equal and impartial justice with which the duty we have suggested is in perfect harmony, and to which the present duty on tea is in direct contradiction.

Previously to 1732, the duty on coffee amounted to 2*s.* a pound; but an act was then passed, in compliance with the solicitations of the West India planters, reducing the duty to 1*s.* 6*d.* a pound; at which it stood for many years, producing, at an average, about 10,000*l.* a year. In consequence, however, of the prevalence of smuggling, caused by the too great magnitude of the duty, the revenue declined, in 1783, to 2,869*l.* 10*s.* 10½*d.* And, it having been found impossible otherwise to check the practice of clandestine importation, the duty was reduced, in 1784, to 6*d.* The consequences of this wise and salutary measure were most beneficial. Instead of being reduced, the revenue was immediately raised to near *three* times its previous amount, or to 7,200*l.* 15*s.* 9*d.*, showing that the consumption of legally imported coffee must have increased in about *a ninefold* proportion; a conclusive proof, as Mr. Bryan Edwards has observed, of the effect of heavy taxation in defeating its own object.*

The history of the coffee trade abounds with similar and still more striking examples of the superior productiveness of low duties. In 1807 the duty was 1*s.* 8*d.* a pound; and the quantity entered for home consumption amounted to 1,170,164 lbs., yielding a revenue of 161,245*l.* 11*s.* 4*d.* In 1808 the duty was reduced from 1*s.* 8*d.* to 7*d.*; and in 1809

* "History of the West Indies," vol. ii. p. 340. 8vo. ed.

no fewer than 9,251,847 lbs. were entered for home consumption, yielding, notwithstanding the reduction of duty, a revenue of 245,856*l.* 8*s.* 4*d.* The duty having been raised in 1819 from 7*d.* to 1*s.* a pound, the quantity entered for home consumption in 1820 fell to 6,869,286 lbs., yielding a revenue of 340,223*l.* 6*s.* 7*d.* In 1824, however, the duty on West Indian coffee being again reduced from 1*s.* to 6*d.*, the quantity entered for home consumption in 1825 was 10,766,112 lbs. In 1830 it had increased to 21,840,520 lbs., producing a nett revenue of 558,544*l.* And the duty on all descriptions of British coffee having been equalised in 1839, and reduced to $4\frac{1}{3}d.$ per lb. in 1842, the consumption rose in 1847 to 37,441,373 lbs. But chicory having now begun to be largely substituted for coffee, the consumption of the latter has been considerably reduced (*ante*, p. 230.). In 1850 it amounted to 31,166,358 lbs., and the revenue to 565,659*l.* The duties on foreign and British colonial coffee were equalised in 1851, and fixed at the low rate of 3*d.* per lb. It is worthy of especial observation that the extraordinary increase in the consumption of coffee after 1809 took place, not only without any diminution, but with a very material consentaneous increase, in the consumption of tea.

The history of the duties on spirits furnishes equally conclusive evidence of the superior productiveness of reasonable duties, and of the loss of revenue, smuggling, and other pernicious consequences that uniformly follow every attempt to carry them beyond their natural limits. There can, indeed, be no better subjects for taxation than spirituous and fermented liquors. They are essentially luxuries; and while reasonable duties on them are, in consequence of their being very generally used, exceedingly productive, the increase of price which they occasion has a tendency to lessen their consumption by the poor, to whom, when taken in excess, they are most pernicious. Few governments, however, have been satisfied with imposing reasonable duties on spirits; but partly in the view of increasing the revenue, and partly in the view of placing them beyond the reach of the lower classes, have

almost invariably loaded them with such excessively high duties as have entirely defeated both objects. The imposition of duties does not lessen the appetite for spirits. And as no vigilance of the officers or severity of the laws has been found sufficient to secure a monopoly of the market to the legal distillers, the real effect of too high duties is to throw the supply of a large proportion of the demand into the hands of the illicit distiller, and to superadd the atrocities of the smuggler to the idleness and dissipation of the drunkard.

During the latter part of the reign of George I., and the earlier part of that of George II., gin-drinking was exceedingly prevalent; and the cheapness of ardent spirits, and the multiplication of public-houses, were denounced from the pulpit, and in the presentments of grand juries, as pregnant with the most destructive consequences to the health and morals of the community. At length ministers were goaded on to make a vigorous effort to put a stop to the further use of spirituous liquors, except as a cordial or medicine. For this purpose an act was passed in 1736, the history and effects of which deserve to be studied by all who are clamorous for an increase of the duties on spirits. Its preamble is to this effect:—"Whereas the drinking of spirituous liquors, or strong waters, is become very common, especially among people of lower and inferior rank, the constant and excessive use of which tends greatly to the destruction of their health, rendering them unfit for useful labour and business, debauching their morals, and inciting them to perpetrate all vices; and the ill consequences of the excessive use of such liquors are not confined to the present generation, but extend to future ages, and tend to the destruction and ruin of this kingdom." The enactments were such as might be expected to follow a preamble of this sort. They were not intended to repress the vice of gin-drinking, but to root it out altogether. To accomplish this, a duty of 20*s.* a gallon was laid on spirits, and a licence duty of 50*l.* a year on retailers, at the same time that their sale in any less quantity than *two* gallons was prohibited. Extraordinary encouragements were also held out to informers, and a fine of 100*l.* was ordered to be

rigorously exacted from unlicensed dealers, and from every one who, were it even through inadvertency, should vend the smallest quantity of spirits which had not paid the full duty. Here was an act which might, one should think, have satisfied the bitterest enemy of gin. But, instead of the anticipated effects, it produced those directly opposite. Respectable dealers withdrew from a trade proscribed by the legislature; so that the spirit business fell almost entirely into the hands of the lowest and most profligate characters, who, as they had nothing to lose, were not deterred by penalties from breaking through all the provisions of the law. The populace having in this, as in all similar cases, espoused the cause of the smugglers and unlicensed dealers, the officers of the revenue were openly assaulted in the streets of London and other great towns; informers were hunted down like wild beasts; and drunkenness, disorder, and crime increased with a frightful rapidity. "Within two years of the passing of the act," says Tindal, "it had become odious and contemptible, and policy as well as humanity forced the commissioners of excise to mitigate its penalties." *

The same historian mentions (vol. viii. p. 390.), that during the two years in question no fewer than 12,000 persons were convicted of offences connected with the sale of spirits. But no exertion on the part of the revenue officers and magistrates could stem the torrent of smuggling. According to a statement made by the Earl of Cholmondeley, in the House of Lords†, it appears, that at the very moment when the sale of spirits was declared to be illegal, and every possible exertion made to suppress it, upwards of seven millions of gallons were annually consumed in London, and other parts immediately adjacent! Under such circumstances government had but one course to follow—to give up the unequal struggle. In 1742 the high prohibitory duties were accordingly repealed, and such moderate duties imposed in their stead as were calculated to increase the revenue, by encouraging the consump-

* "Continuation of Rapin," vol. viii. p. 358. ed. 1759.

† Timberland's "Debates in the House of Lords," vol. viii. p. 388.

tion of legally distilled spirits. The bill for this purpose was vehemently opposed in the House of Lords by the greater number of the bishops, and many other peers, who exhausted all the artifices of rhetoric in depicting the mischievous consequences that would result from a toleration of the practice of gin-drinking. To these declamations it was unanswerably replied, that it was impossible to put it down by prohibitory enactments; and that the attempts to do so had been productive of far more mischief than had ever resulted, or could be expected to result, from the greatest abuse of spirits. The consequences of the change were highly beneficial. An instant stop was put to smuggling; and if the vice of drunkenness was not materially diminished, there is no evidence to show that it was increased.

But it is unnecessary to go back to the reign of George II. for proofs of the impotency of high duties to take away the taste for spirits, or to lessen their consumption. The occurrences that took place during the reigns of George III. and George IV., are equally decisive in regard to this question.

Perhaps no country has suffered more from the abuse of duties on spirits than Ireland. If heavy taxes, enforced by severe fiscal regulations, could make a people sober and industrious, the Irish would have been the most so of any. To make the possessors of property join heartily in suppressing illicit distillation, the novel expedient was resorted to in Ireland, of imposing a heavy fine on every parish, townland, manorland, or lordship, in which an unlicensed still was discovered; while the unfortunate wretches found working it were subjected to transportation for seven years. But instead of putting down illicit distillation, these unheard of severities rendered it universal, and filled the country with bloodshed, and even rebellion. "The Irish system," says the Rev. Mr. Chichester, in his valuable pamphlet on the Distillery Laws, published in 1818, "seems to have been formed in order to perpetuate smuggling and anarchy. It has culled the evils of both savage and civilised life, and rejected all the advantages which they contain. The calamities of civilised warfare are, in general, inferior to those produced by the Irish distil-

lery laws; and I doubt whether any nation of modren Europe, which is not in a state of actual revolution, can furnish instances of legal cruelty commensurate to those which I have represented."*

These statements are borne out to the fullest extent by the official details in the Reports of the Revenue Commissioners. In 1811, say the commissioners (Fifth Report, p. 19.), when the duty on spirits was 2*s.* 6*d.* a gallon, duty was paid in Ireland on 6,500,361 gallons (Irish measure); whereas, in 1822, when the duty was 5*s.* 6*d.*, only 2,950,647 gallons were brought to the charge. According to the commissioners the annual consumption of spirits in Ireland was at this very period not less than ten millions of gallons. But, as scarcely three millions paid duty, it followed that seven millions were illegally supplied; and "taking one million of gallons as the quantity fraudulently furnished for consumption by the licensed distillers, the produce of the unlicensed stills may be estimated at six millions of gallons."—(Ib. p. 8.) Now, it is material to keep in mind, that this vast amount of smuggling was carried on in defiance of the above barbarous statutes, and of the utmost exertions of the police and military to prevent it; the only result being the exasperation of the populace, and the perpetration of revolting atrocities both by them and the military. "In Ireland," say the commissioners, "it will appear, from the evidence annexed to this Report, that parts of the country have been absolutely disorganised, and placed in opposition not only to the civil authority, but to the military force of the government. The profits to be obtained from the evasion of the law have been such as to encourage numerous individuals to persevere in these desperate pursuits, notwithstanding the risk of property and life with which they have been attended."

To put an end to such evils, the commissioners recommended that the duty on spirits should be reduced from 5*s.* 7$\frac{1}{4}$*d.* to 2*s.* 4$\frac{3}{4}$*d.* (the imperial gallon); and government having wisely consented to act upon this recommendation,

* Pp. 92—107.

the duties were reduced accordingly, in 1823. The following official account (p. 358.), which exhibits the consumption and the rates of duty on British spirits in Ireland from 1791 down to 1850 both inclusive, exhibits the salutary effects of this reduction; and it also shows the powerful operation of the previous and subsequent changes of the duty.*

Sir Robert Peel is reported to have said, in his financial statement on the 11th of March, 1842, that the consequences which followed the reduction of the duty on coffee, in 1808, from 1*s.* 8*d.* to 7*d.* per lb. (see p. 351.) furnished by far the most favourable illustration of the principle of the superior productiveness of low duties. Perhaps, however, the reader may be disposed to think that the reduction of the duty on spirits in Ireland in 1823, now brought under his notice, is but little, if at all, less conclusive in favour of the principle referred to. In the instance of coffee there was little smuggling or adulteration (for chicory had not then been heard of) to provide against; and it was next to certain that to whatever extent consumption might be increased through the reduction of the duty, the revenue would be proportionally idemnified. But in the instance of the spirit-duties this was not the case. The consumption had not declined, but had been diverted into illegitimate channels; and it was clear that all the ingenuity and resources of the smuggler would be brought into the field, and be exerted to preserve the trade he had long carried on, and to defeat and evade the duty. And yet, despite these adverse circumstances, a reduction of duty from 5*s.* 7$\frac{1}{4}$*d.* to 2*s.* 4$\frac{3}{4}$*d.* per imperial gallon, being at the rate of about 50 per cent., was immediately followed by an increase of the legitimate consumption of spirits from about 3$\frac{1}{2}$ to above 9 millions of gallons, and by the revenue increasing, from between 600,000*l.* and 800,000*l.*, to above a million sterling! In 1826 a small addition was made to the duty, raising it to 2*s.* 10*d.* the imperial gallon; and in 1828 the revenue rose to above

* We are indebted for this and for the other tables having reference to the Excise to our excellent friend John Wood, Esq., Chairman of the Board of Inland Revenue.

An Account of the Quantities of British Spirits which have paid the Duties of Excise for Consumption in Ireland; stating the Rate of Duty paid, and also the Nett Amount of Revenue received, in each Year since the Year 1790.

Years.	Number of Gallons.	Rate per Imperial Gallon.	Nett Amount of Revenue.		
			£	s.	d.
1791	3,454,080	1s. 1¼d.	190,274	3	5
1792	3,372,006	,,	185,596	5	4
1793	3,862,548	,,	212,521	14	9
1794	4,182,122	,,	230,228	19	5
1795	3,635,218	1s. 5¼d.	267,430	2	1
1796	3,794,664	,,	268,011	3	5
1797	4,694,254	,,	331,196	16	3
1798	4,173,439	1s. 11d.	392,601	17	6
1799	3,553,594	2s. 4¼d.	417,865	3	1
1800	1,330,500	,,	209,944	13	8
1801	355,106	,,	60,151	15	5
1802	4,715,098	2s. 10¼d.	674,575	11	10
1803	4,343,095	2s. 10¼d.—3s. 6¾d.	671,622	11	11
1804	3,543,599	3s. 6¾d.—4s. 1d.	680,083	9	8
1805	3,686,233	4s. 1d.	658,222	6	5
1806	3,858,107	,,	725,367	3	0
1807	5,597,204	,,	1,141,149	3	9
1808	3,575,430	,,	834,064	12	3
1809	1,360,386	,,	212,455	6	0
1810	4,728,522	4s. 1d.—2s. 6½d.	632,747	13	4
1811	6,378,479	2s. 6½d.	812,597	1	11
1812	4,009,301	2s. 6½d.—5s. 1¼d.	942,880	12	7
1813	3,158,693	5s. 1¼d.—5s. 7¼d.	750,768	17	3
1814	5,393,713	5s. 7¼d.	1,454,594	2	4
1815	4,323,844	5s. 7¼d.—6s. 1½d.	1,312,908	15	0
1816	3,557,200	6s. 1½d.—5s. 7¼d.	1,037,185	14	0
1817	3,586,932	5s. 7¼d.	1,014,268	1	2
1818	4,284,347	,,	1,164,534	18	1
1819	3,676,516	,,	1,032,091	2	0
1820	3,299,650	,,	907,284	9	3
1821	3,311,462	,,	903,141	13	3
1822	2,910,483	,,	801,987	18	8
1823	3,590,376	5s. 7¼d.—2s. 4¾d.	619,271	0	3
1824	6,690,315	2s. 4¾d.	795,163	8	4
1825	9,262,744	,,	1,107,449	15	7
1826	6,834,867	2s. 10d.	963,172	13	1
1827	8,260,664	,,	1,155,783	15	1
1828	9,937,903	,,	1,404,646	6	8
1829	9,212,224	,,	1,304,655	1	8
1830	9,004,539	2s. 10d.—3s.—3s. 4d.	1,409,128	3	7
1831	8,710,672	3s. 4d.	1,451,580	7	0
1832	8,657,756	,,	1,442,845	9	0
1833	8,168,596	,,	1,360,769	6	8
1834	9,708,462	3s. 4d.—2s. 4d.	1,368,952	3	2
1835	11,381,223	2s. 4d.	1,327,805	14	8
1836	12,248,772	,,	1,428,744	2	0
1837	11,235,635	,,	1,310,765	13	9
1838	12,296,342	,,	1,434,331	16	4
1839	10,815,709	,,	1,261,741	17	6
1840	7,401,051	2s. 4d.—2s. 8d.	935,652	19	4
1841	6,485,443	2s. 8d.	864,105	10	2
1842	5,290,650	2s. 8d.—3s. 8d.	904,780	0	8
1843	5,546,483	3s. 8d.—2s. 8d.	852,306	16	10
1844	6,451,137	2s. 8d.	860,151	12	0
1845	7,605,196	,,	1,013,836	1	8
1846	7,952,076	,,	1,060,189	11	6
1847	6,037,383	,,	801,759	9	11
1848	7,072,933	,,	941,889	15	8
1849	6,973,333	,,	926,093	1	5
1850	7,408,086	,,	985,068	8	4

1,400,000*l.*! It is not easy to imagine a more unanswerable demonstration of the greater productiveness of moderate duties.

It has been objected to this measure that it was injurious in a moral point of view, by occasioning an increased consumption of spirits. But the statements already made show the groundlessness of this allegation. The reduction of the duties substituted legal for illegal distillation, and freed the country from the perjuries and other atrocities that grew out of the previous system; but it would be wholly erroneous to say that it increased drunkenness. It has been already seen that the commissioners, who had the best means of obtaining accurate information, estimated the consumption of spirits in Ireland, in 1823, at ten millions of gallons; and when greatest, in 1838, fifteen years after, when the population had been largely increased, the consumption was only 12,296,342 gallons. No doubt, therefore, the measure deserves to be considered as having been, in every point of view, most successful. The table shows that the increase of duty, from 2*s.* 10*d.* to 3*s.* 4*d.*, in 1830, perceptibly diminished the quantity of spirits brought to the charge; and as it was found to give a considerable stimulus to smuggling, which had previously been nearly extinct, it was again reduced, in 1835, to 2*s.* 4*d.* The extraordinary diminution in the consumption of spirits after 1839, though in some degree, perhaps, ascribable to the addition of 4*d.* a gallon made to the duty in 1840, was principally owing to the great exertions of Father Matthew, and the spread of temperance societies; and notwithstanding the loss of revenue it occasioned, the change was productive of much public advantage; and provided it had been maintained, few things could have occurred seemingly better fitted to improve the physical as well as the moral condition of the people. The ill-advised addition of 1*s.* a gallon made to the duty in 1842 was repealed in 1843; for while it gave a powerful stimulus to clandestine distillation, it is abundantly certain it would not have added anything to the revenue, or given any additional stimulus to the temperance movement.

The experience of Scotland is hardly less conclusive in regard to the advantage of low duties on spirits than that of Ireland; exorbitant duties having produced nearly the same effects in the former as in the latter. Mr. John Hay Forbes, formerly sheriff-depute of Perthshire, now a lord of session, stated in evidence before the commissioners, that, according to the best information he could obtain, the quantity of illegally distilled spirits annually produced in the Highlands could not amount to less than two millions of gallons. In corroboration of this he stated that, in 1821, only 298,138 gallons were brought to the charge in the Highlands; and of these, 254,000 gallons were permitted to the Lowlands, leaving only 44,000 gallons for the consumption of the whole country; a supply which, we are well assured, would hardly be sufficient for the demand of two moderately populous parishes. In a letter of Captain Munro, of Teaninich, to the commissioners, it is stated that, "at Tain, where there are upwards of twenty licensed public-houses, not one gallon had been permitted from the legal distilleries for upwards of twelve months," though a small quantity of smuggled whisky had been purchased at the excise sales, to give a colour of legality to the trade. The same gentleman thus expressess himself in another part of his letter:—"The moral effects of this baneful trade of smuggling on the lower classes are most conspicuous, and increasing in an alarming degree, as evidenced by the multiplicity of crimes, and by a degree of insubordination formerly little known in this part of the country. In several districts, such as Strathconon, Strathcarron, &c., the excise officers are now often deforced, and dare not attempt to do their duty; and smuggled whisky is often carried to market by smugglers escorted by armed men, in defiance of the laws. In short, the Irish system is making progress in the Highlands of Scotland."

To arrest the progress of demoralisation, government, pursuant to the judicious advice of the commissioners, reduced the duties on Scotch to the same level as those on Irish whisky; and the consequences were equally signal and salutary. The subjoined statement shows the effect of the

various changes in the rates of duty from 1799 down to the present time (see p. 362.).

This table sets the advantage of the reduction of the duty in 1823 in the clearest point of view; the consumption of duty-paid spirits having more than doubled in the course of two years, at the same time that illicit distillation was all but suppressed. The addition of 6*d.* to the duty in 1830 gave a check to the consumption from which it did not speedily recover, and revived, though happily to no great extent, the dormant energies of the smuggler. The influence of the 4*d.* unwisely added to the duty in 1840, is also most perceptible.

Previously to the reduction of the duty on Irish and Scotch spirits, in 1823, the duty on English spirits amounted to 11*s.* 8¼*d.* a gallon. This high duty, and the restrictions under which the trade was placed, were productive of the worst effects. They went far to enable the distillers to fix the price of spirits, "and consequently" (we quote the words of the commissioners) "to raise it much beyond that which was sufficient to repay, with a profit, the cost of the manufacture and the duty advanced to the Crown." And, in proof of this, the commissioners mention that, in November, 1823, "when corn spirits might be purchased in Scotland for about 2*s.* 3*d.* a gallon, raw spirits could not be purchased in England for less than 4*s.* 6*d.* ready money, and 4*s.* 9*d.* credit, omitting in both cases the duty." In consequence of this state of things, the adulteration of spirits was carried on to a great extent in England; and the large profits made by the smuggler occasioned their clandestine importation in considerable quantities from Scotland and Ireland. To obviate these inconveniences, and at the same time to neutralise the powerful additional stimulus that the reduction of the duties in Scotland and Ireland would have given to smuggling, had the duties in England been continued at their former amount, the latter were reduced, in 1826, to 7*s.* a gallon; facilities being at the same time given to the importation of spirits from the other parts of the empire. In consequence of these measures,

An Account of the Quantities of British Spirits which have paid the Duties of Excise for Consumption in Scotland; stating the Rate of Duty paid, and also the Nett Amount of Revenue received, in each Year since the Year 1798.

Years.	Number of Gallons.	Rate per Gallon.		Nett Amount of Revenue.		
		In the Lowlands.	In the Highlands.	£	s.	d.
1799	1,670,388	64*l.* 16*s.* 4*d.* per gall. of still content, and 1*s.* 1½*d.* per gallon of spirits made.	7*l.* 16*s.* 0¼*d.* per gall. of still content, and 1*s.* 4¼*d.* per gallon of spirits made.	255,085	18	0
1800	1,277,596	64*l.* 16*s.* 4*d.* per gall. of still content.	7*l.* 16*s.* 0¼*d.* per gall. of still content.	144,409	10	6
1801	295,931	,,	,,	42,192	1	0
1802	1,158,558	3*s.* 10½*d.* per gall. of spirits.	3*s.* 4¼*d.* per gallon of spirits.	217,866	0	0
1803	2,022,409	,,	,,	370,086	1	5
1804	1,889,757	5*s.* 9¾*d.*	5*s.* 0½*d.*	499,072	3	3
1805	1,625,987	,,	,,	421,896	16	2
1806	1,812,237	,,	,,	461,835	11	6
1807	2,653,478	5*s.* 8¾*d.*	5*s.* 0½*d.*—4*s.* 11¼*d.*	783,547	8	2
1808	2,683,312	,,	4*s.* 11¼*d.*	774,029	17	10
1809	1,315,135	,,	,,	269,802	4	9
1810	1,748,140	,,	,,	324,915	8	0
1811	1,951,092	5*s.* 8¾*d.*—8*s.* 0¼*d.*	4*s.* 11¼*d.*—6*s.* 7½*d.*	563,838	19	1
1812	1,687,905	8*s.* 0¼*d.*	6*s.* 7½*d.*	646,591	16	5
1813	1,234,291	,,	,,	364,912	5	0
1814	1,474,187	,,	,,	578,741	0	0
		Lowlands and Highlands.				
1815	1,591,148	9*s.* 4½*d.* per gallon of spirits.		741,926	14	1
1816	918,859	,,		420,481	15	8
1817	1,906,950	6*s.* 2½*d.*		598,786	15	5
1818	2,066,988	,,		662,383	0	2
1819	2,125,150	,,		658,334	11	0
1820	1,863,987	,,		575,880	2	4
1821	2,385,495	,,		737,347	3	1
1822	2,225,124	,,		686,369	15	11
1823	2,303,286	6*s.* 2*d.*—2*s.* 4¾*d.*		556,843	18	5
1024	4,350,301	2*s.* 4¾*d.*		524,137	9	9
1825	5,981,549	,,		717,872	1	4
1826	3,988 788	2*s.* 10*d.*		563,256	16	9
1827	4,752,199	,,		672,450	6	6
1828	5,716,180	,,		809,559	4	10
1829	5,777,280	,,		818,172	4	2
1830	6,007,631	2*s.* 10*d.*—3*s.*—3*s.* 4*d.*		939,258	6	0
1831	5,700,689	3*s.* 4*d.*		950,041	4	3
1832	5,407,097	,,		900,906	10	0
1833	5,988,556	,,		998,051	3	3
1834	6,045,043	,,		1,007,505	10	0
1835	6,013,932	,,		1,002,305	0	10
1836	6,620,826	,,		1,103,450	3	4
1837	6,124,035	,,		1,020,569	18	10
1838	6,259,711	,,		1,043,180	18	4
1839	6,188,582	,,		1,031,213	10	0
1840	6,180,138	3*s.* 4*d.*—3*s.* 8*d.*		1,087,749	2	11
1841	5,989,905	3*s.* 8*d.*		1,098,118	1	11
1842	5,595,186	,,		1,025,743	13	7
1843	5,593,798	,,		1,025,506	1	6
1844	5,922,948	,,		1,085,746	16	2
1845	6,441,011	,,		1,180,522	1	0
1846	6,975,091	,,		1,278,560	18	6
1847	6,193,249	,,		1,132,463	14	4
1848	6,548,190	,,		1,199,389	9	0
1849	6,935,003	,,		1,264,595	18	8
1850	7,122,987	,,		1,297,430	18	8

the quantity of spirits brought to the charge was about doubled. In a fiscal point of view the success of the measure was too obvious and decided to admit of dispute; but it has, like the preceding measures in Ireland and Scotland, been complained of for the encouragement it is said to have given to the vice of gin-drinking. But there is really no foundation for this allegation. At the period (1823) when the consumption of home-made spirits appeared, from the excise returns, to amount to about three millions and a half gallons, the commissioners of revenue inquiry estimated it, taking the smuggled spirits into account, at between five and six millions ditto! and it appears from the following account (p. 364.), that it amounted for the year 1850, to 9,331,512 gallons, producing 3,649,685*l.* 15*s.* 2*d.* of revenue; so that making allowance for the increase of population since 1823, and for the check given to adulteration and smuggling, it may be safely affirmed that the practice of spirit drinking has not increased in England during the last twenty years. No doubt, however, it is much too prevalent, and a great deal of money is wasted by the poor on gin which had far better be expended on other things. But how much soever we may deplore the prevalence of gin-drinking, the evil is not one that can be cured, or even mitigated, by increasing the duties on spirits. Such increase would substitute illegitimate for legitimate channels of supply. It would injure the public revenue and diffuse among the populace the predatory and ferocious habits which mark the character of the smuggler. And it would do all this without lessening in any degree the vice of drunkenness.

But though we cannot lessen the consumption of gin by increasing the duties thereon, we may lessen it by making the necessary reductions on other things. A taste for tea is not very compatible with a taste for gin; and the reduction of the duties on tea to a reasonable amount, would, by encouraging its consumption, be one of the best means of discouraging the consumption of gin, and consequently of promoting the progress of temperance and the well-being of the lower classes. And as this change, however advantageous,

An Account of the Quantities of British Spirits which have paid the Duties of Excise for Consumption in England; stating the Rate of Duty paid, and also the Nett Amount of Revenue received in each Year since the Year 1790.

Years.	Number of Gallons.	Rate per Imperial Gallon.	Nett Amount of Revenue.		
			£	s.	d.
1791	4,093,033	3s. 4¾d.	657,193	19	9
1792	4,556,636	,,	774,009	2	2
1793	4,254,366	,,	722,445	11	2
1794	4,604,790	3s. 4¾d.—3s. 10¾d.	830,845	19	8
1795	4,720,228	3s. 10¾d.—4s. 4½d.	976,084	4	11
1796	813,227	4s. 4½d.	199,034	18	2
1797	2,862,829	4s. 4½d.—4s. 10¼d.	687,703	17	6
1798	3,635,825	4s. 10¼d.	882,767	8	8
1799	4,119,419	,,	1,000,033	11	1
1800	4,352,888	4s. 10¼d.—5s. 4¼d.	1,015,700	12	8
1801	2,555,920	5s. 4¼d.	621,648	8	4
1802	3,981,072	,,	1,063,872	5	5
1803	5,370,377	5s. 4¼d.—8s. 0½d.	1,466,577	7	1
1804	3,690,745	8s. 0½d.	1,499,327	18	0
1805	4,932,645	,,	2,042,701	3	9
1806	4,094,985	,,	1,689,849	5	6
1807	4,747,365	,,	1,938,356	18	3
1808	5,390,884	,,	2,213,347	17	6
1809	4,035,825	,,	1,390,889	10	11
1810	4,787,555	,,	1,585,741	13	0
1811	4,776,330	8s. 0½d.—10s. 2¾d.	1,592,760	14	5
1812	5,242,470	10s. 2¾d.	2,587,505	4	2
1813	4,292,477	,,	1,906,865	6	11
1814	4,956,965	,,	2,484,635	11	10
1815	5,468,987	,,	2,840,591	16	0
1816	4,745,484	,,	2,447,136	19	11
1817	4,133,063	,,	2,132,320	16	9
1818	5,259,662	,,	2,681,131	3	5
1819	4,146,505	10s. 2¾d.—11s. 8¼d.	2,218,007	7	9
1820	4,284,798	11s. 8¼d.	2,510,822	6	6
1821	4,125,616	,,	2,419,280	18	6
1822	4,694,055	,,	2,749,372	5	3
1823	3,803,312	,,	2,222,273	8	5
1824	4,392,611	,,	2,567,378	3	6
1825	3,684,049	,,	2,055,027	4	5
1826	7,407,204	7s.	2,592,521	13	1
1827	6,671,562	,,	2,335,046	15	9
1828	7,759,687	,,	2,715,890	9	0
1829	7,700,766	,,	2,695,268	2	0
1830	7,732,101	7s.—7s. 6d.	2,857,147	19	0
1831	7,434,047	7s. 6d.	2,787,767	12	6
1832	7,281,900	,,	2,730,712	10	0
1833	7,717,303	,,	2,893,988	12	6
1834	7,644,301	,,	2,866,608	11	4
1835	7,315,053	,,	2,743,124	15	1
1836	7,875,702	,,	2,953,388	5	0
1837	7,133,869	,,	2,674,899	16	9
1838	7,930,490	,,	2,973,908	5	0
1839	8,186,552	,,	3,069,952	6	0
1840	8,278,148	7s. 6d.—7s. 10d.	3,183,865	1	0
1841	8,166,985	7s. 10d.	3,198,548	6	9
1842	7,956,054	,,	3,116,121	3	0
1843	7,724,058	,,	3,025,244	17	8
1844	8,234,440	,,	3,225,155	13	4
1845	9,076,381	,,	3,554,915	17	10
1846	9,179,530	,,	3,595,315	18	4
1847	8,409,165	,,	3,287,771	12	6
1848	8,581,327	,,	3,355,150	3	6
1849	9,053,676	,,	3,539,094	12	3
1850	9,331,512	,,	3,649,685	15	2

would merely be from one taxed article to another, the interests of the revenue would not suffer by its taking place.

At present (1851) the duties on spirits in England, Scotland, and Ireland, are respectively 7*s.* 10*d.*, 3*s.* 8*d.* and 2*s.* 8*d.*, a gallon. It is apparently difficult to vindicate an inequality of this sort; and it would seem, on the first blush of the matter, to be sufficiently obvious that they should be equalised, partly by reducing the English, and partly by raising the Scotch and Irish duties. But this is one of those cases in which principle must give way to practical considerations. At present smuggling is nearly confined to the clandestine importation of Scotch and Irish spirits into England, and this is not practised to any considerable extent. Illicit distillation is but little prevalent. But if the duties were equalised by fixing them at an average rate of 4*s.* 6*d.* or 5*s.* a gallon in each division of the empire, it is abundantly certain that illicit distillation would be carried on to as great an extent in Scotland and Ireland as formerly; and while the revenue would fall off, they would be overspread with all sorts of crimes and disorders. In England, on the other hand, the reduction of the duty would be injurious by the stimulus it would give to that intemperance which is already much too prevalent. It would seem, therefore, how objectionable soever it may be in principle, that it would be unadvisable to interfere with the present arrangement of the duties. They appear to be pretty well adjusted according to the different circumstances of the different portions of the United Kingdom. And the presumption is that any attempt to equalise them would be productive of injurious results.

The history of the duties on foreign spirits (brandy and geneva) affords an additional illustration of the pernicious influence of oppressive duties. At an average of the four years ending with 1782, when the duties on brandy and geneva amounted to 9*s.* per wine gallon on proof spirits, and to 18*s.* per do. on such as were of greater strength, 740,604 gallons (643,112 brandy, and 97,492 geneva) were annually entered for consumption. But it appears, from a statement

in the First Report of the Revenue Commission in 1783, that the Commissioners of Excise estimated that in the preceding *three* years upwards of 13,000,000 gallons of foreign spirits had been clandestinely imported.* This estimate may, perhaps, have been exaggerated; but that smuggling was then carried on to an unprecedented extent, is a fact which no one has ever attempted to dispute. Mr. Pitt, who was fully aware of the magnitude of the evil, determined upon its suppression, and in that view reduced the duty to 5*s.* a gallon. The event more than answered his expectations; the entries for consumption having amounted, in 1789 and 1790, to 2,114,025 gallons a year, at an average. In 1791 the duty was raised to 5*s.* 10*d.* per gallon; the quantities entered for consumption in that year and in 1792 being respectively 1,949,418 and 1,984,822 gallons.

During the war that soon after broke out with France the duties were increased till, at length, they amounted, in 1814, to 18*s.* 10*d.* per wine gallon, equal to 22*s.* 6*d.* per imperial gallon. In 1840, they were further raised to 22*s.* 10*d.* a gallon!

During the war the trade was liable to so many interruptions from other causes than the variations in the rate of duty, that no proper estimate can be formed of the peculiar influence of the latter. But since the peace the mischievous influence of the exorbitant height to which it has been carried has been obvious to every one.

At an average of the four years ending with 1792, when the duty was 6*s.* 6*d.* per imperial gallon, the entries for consumption (in Great Britain) amounted to 1,733,816 imperial gallons a year. And as the population has more than doubled since 1790, had the consumption continued at its old level, as compared with the consumers, it would at present have exceeded 3,460,000 gallons. But, in point of fact, it only amounted, during the three years ending with 1845, to 1,023,716 gallons, being less than one-third part, as compared with the population, of what it amounted to when the duty was 6*s.* 6*d.* a gallon.

* Hamilton's Principles of Taxation, pp. 273. 275.

But in this, as in all similar cases, the real was considerably greater than the apparent consumption. The cost of brandy and geneva varies in the contiguous continental ports from 3*s.* to 5*s.* a gallon; and it is needless to say, that under the circumstances smuggling and adulteration were very extensively practised. Round the coasts of Kent and Sussex the fishermen and country-people were more than half smugglers; and ferocious contests not unfrequently took place between them and the coast-guard. And while, on the one hand, the revenue was defrauded by the clandestine introduction of foreign spirits, it was, on the other, equally defrauded by the sale of counterfeits, passed off as genuine Cognac and Schiedam.

We remarked upon this circumstance in our former edition as follows:—"Such being the facts of the case, can any one doubt that the reduction of the duty on foreign spirits to 10*s.* or 12*s.* a gallon would be a most advantageous measure? The precedent of 1786, when Mr. Pitt trebled the legitimate consumption of foreign spirits and added considerably to the revenue by taking 50 per cent. from the duties, is in all respects applicable to the existing state of things. It may be supposed, perhaps, that were the consumption of brandy and geneva to increase, that of British spirits would be proportionally diminished; so that the revenue would lose on the one hand by the reduction of the duties what it gained on the other. Such, however, could not be the case. The duties on British spirits are, in England, 7*s.* 10*d.*; in Scotland, 3*s.* 8*d.*; and in Ireland, 2*s.* 8*d.* per gallon respectively; making it plain that to whatever extent they might be superseded by spirits charged with a duty of 10*s.* or 12*s.* per gallon, the revenue would be largely benefited. There is not, however, any real ground for supposing that the proposed change would sensibly affect the consumption of British spirits. The latter would be used after the reduction of the duty on foreign spirits, as they are used at this moment, by the bulk of the lower classes, the consumption of foreign spirits being principally confined to those of a superior grade. The reduction of the duty on foreign spirits in 1786 was not

followed by any falling off in the consumption of British spirits; and though the consumption of coffee was increased more than six-fold by the reduction of the duty in 1808, that increase, gigantic as it was, had no apparent effect on the consumption of tea. And what reason is there for thinking that the increased consumption of foreign spirits should have a different effect? The reduction of the duty to 10*s.* or 12*s.* a gallon would make an end of the smuggling which is now so extensively carried on; and would, in this way, add materially to the revenue and to the well-being of the population.

"But the question with regard to the reduction of the duty on foreign spirits is not to be looked at only in a fiscal point of view. Their reduction to a reasonable amount would be of very great importance to the commercial interests of the country. Our trade with France has increased during the last ten years more rapidly than almost any other branch of our commerce; and nothing would be so likely to extend it as the reduction of the duties in question. Brandy is one of the principal equivalents France has to offer for foreign commodities; and those who exclude it, or load it with oppressive duties, lay, by so doing, their trade with her under serious difficulties. We are apt enough to find fault with the commercial policy of France, which, indeed, is in many respects highly objectionable. In truth and reality, however, she is more liberal to us than we are to her; and for some years past the value of the exports from England to France has materially exceeded that of the imports. But, whatever policy France may adopt, more than enough has been said to show that our interests would be most materially promoted by the effectual reduction of the present exorbitant duties on foreign spirits. Such a measure would suppress a widely extended system of smuggling and fraud; would increase the revenue; and would add very considerably to our trade."

Happily this view of the matter was taken by Sir Robert Peel, who reduced the duties in 1846 from 22*s.* 10*d.* to 15*s.* a gallon. But though this reduction has added largely to the consumption and considerably, also, to the revenue, and has

been, in so far, completely successful, there can be no doubt that the duty is still too high, and that it should be reduced to 10*s.* or, at most, 12*s.* a gallon. A reduction to this extent, by giving a still greater stimulus to consumption, and a more decided check to smuggling, would be productive of the best effects. Indeed it would go far to place the foreign spirit trade on a perfectly satisfactory footing. We subjoin

An Account showing the Number of Gallons (Imp.) of Brandy and Geneva retained for Home Consumption, the Rates of Duty on the same, and the Produce of the Duty, in each Year since 1842.

Years.	Brandy.	Geneva.	Total.	Rates of Duty.	Produce of Duty.
	Imp. Gal.	Imp. Gal.	Imp. Gall.	£ *s.* *d.*	£
1842 - -	1,082,919	14,579	1.097,498	1 2 10	1,252,467
1843 - -	1,038,347	13,913	1,052,260	,,	1,201,339
1844 - -	1,023,073	14,864	1,037.937	,,	1,184,798
1845 - -	1,058,274	15,504	1,073,778	,,	1,225,869
1846 - -	1,514,465	39,883	1,554,348	Until 18th March 1 2 10 From 18th March 0 15 0	1,195,439
1847 - -	1,537,238	28,800	1,566,038	0 15 0	1,174,365
1848 - -	1,609,004	23,739	1,632,743	,,	1,224,552
1849 - -	2,187,358	26.917	2,214,275	,,	1,659,668
1850 - -	1,860,809	28,237	1,889,046	,,	1,416,290

It is a curious fact that notwithstanding the immense increase of population and wealth since 1790, the consumption of wine has remained nearly stationary. This result has been ascribed to the change of habits, and the increase of temperance among the middle and upper classes. But though this has, no doubt, had considerable influence, we incline to think that the great increase in the numbers of those who drink wine would more than countervail the change of habit; and that the falling off in the consumption as compared with the population is to be ascribed to the increase of the duties, and to the extensive adulteration to which wine is subject (see *ante*, p. 339.). We have previously noticed the sudden and rapid increase in the consumption of French wines occasioned by the reduction of the duty, in 1825, from 13*s.* 9*d.* to 7*s.* 6*d.* per imperial gallon (*ante*, p. 172.). And the increased consumption of Marsala, which now exceeds 425,000 gallons a year, shows the powerful influence of cheapness in creating a demand even for an indifferent wine. But to show how much the consumption of wine is promoted

by moderate duties, it is only necessary to state that the reduction in 1825 was not confined to French wines; but that it was universal, and that it amounted to about 50 per cent., the duty on Portuguese, Spanish, and Sicilian wines being reduced from 9*s.* 1*d.* to 4*s.* 10*d.* per imperial gallon, and that on Rhenish from 11*s.* 3*d.* to 4*s.* 10*d.* Now observe the influence of this effectual reduction. At an average of the four years ending with 1824, the consumption amounted to 4,792,259 gallons a year; whereas at an average of the four years beginning with 1826 (being those after the reduction), the consumption amounted to 6,566,208 gallons a year, or to 1,773,949 gallons more than during the high duties. In consequence of the increase of consumption the loss to the revenue occasioned by the reduction in 1825 was but inconsiderable. But circumstances are at present materially different; and it is not so easy a matter, keeping, as government is bound to do, the interests of the revenue in view, to deal with the existing duties. Being only 5*s.* 9*d.* per imperial gallon, or rather less than 1*s.* per bottle, they cannot be objected to when charged on the superior qualities. They are not oppressive except when applied to the inferior qualities; and from the extreme difficulty of fairly assessing *ad valorem* duties on wine (p. 177.), it is no easy matter to obviate this defect. A reduction of the present duty to the low rate of 3*s.* per gallon, would probably occasion a serious loss of revenue. Inasmuch, however, as it would not amount to 6*d.* a bottle, it would be all but imperceptible as regards the finer and higher-priced wines; and though its influence over the lower qualities would be much more considerable, they are not very likely ever to become a popular beverage in this country. Unless, therefore, some means should be discovered of obviating the difficulties in the way of assessing an *ad valorem* duty on wine, there would probably be but little advantage in disturbing the subsisting arrangement.

From the reign of William III. down to 1831, French wines were burdened with duties which were never less than $33\frac{1}{3}$ per cent. higher than those laid on other wines. During its continuance this was the most unjustifiable and mischiev-

ous regulation in our commercial code. It was directly injurious by forcing the consumption of an inferior in preference to a superior wine; and it was still more injurious by its offensive character, and by its provoking and justifying the retaliatory measures adopted by the French against our trade. The abolition of this miserable remnant of a short-sighted, vindictive policy was one of the wisest of the commercial measures of this century.

The history of other countries abounds with equally conclusive examples of the superior productiveness of moderate duties. In 1775 Turgot deducted a *half* from the customs and other duties chargeable on the fish sold in the Paris market; but, notwithstanding this reduction, the amount of the duties collected was not diminished. The demand for fish must, therefore, have been doubled, in consequence of the inhabitants being enabled to supply themselves at a comparatively cheap rate.*

In 1813, when sugar imported into the French empire paid a duty of one franc sixty cents. the *livre* or pound, the imports amounted to about fourteen millions of pounds, which, as France, and the countries then incorporated with her, contained about forty-two millions of inhabitants, gives the *third* part of a pound weight to each. In 1814 this exorbitant duty was reduced to about a *fifth* part, or to thirty cents. the pound; and though the population of France had then been reduced from forty-two to about twenty-eight millions, the average annual importations of 1814 and 1815 amounted to forty-four millions of pounds, being upwards of $1\frac{1}{2}$ lb. to each individual, or about *five* times as much as the consumption had amounted to under the high duty. In consequence of this increase of consumption the low duty yielded nearly as large a revenue as the high duty.†

Ustariz gives a variety of details respecting the disastrous

* Say, "Traité d'Economie Politique," tome ii. p. 339. Lord Kames, in his "Sketches of the History of Man," states that these duties amounted to 48 per cent. *ad valorem*. Vol. i. p. 486. 4to. edit.

† "Richesse des Nations," par Garnier, v. p. 304. 2de éd.

effects which certain taxes have had on industry in Spain, and the advantages resulting from the repeal and modification of others, some of which we have previously noticed. Among other instances, he refers to Valencia, which, though barren of grain and flocks, and not equal in extent to two-thirds of Arragon, paid a larger revenue to the royal treasury. This, he says, was owing to the comparatively flourishing state of commerce and manufactures in Valencia; and he then adds, — "This increase and improvement in manufactures and commerce is ascribed to the equitable and kind treatment the weavers receive in that province, and to his majesty's goodness in reducing the excessive taxes which were charged upon flesh meat and other provisions; and his taking off wholly that which was laid on bread in ancient times; as also the imposts known by the name of ancient duties and generalities. These duties were partly replaced by others, but in such a manner that they were rendered much lighter, the people in general eased, and the royal revenue improved."*

Down to 1849 the importation of cotton goods into Spain was prohibited. Inasmuch, however, as the prohibition could not be enforced, its effect was to substitute an illegal for a legal trade, and to give the smuggler a monopoly of the supply of foreign cottons. In 1849, however, a new and more enlightened policy was adopted, and cottons were allowed to be imported on paying an *ad valorem* duty of 30 per cent. The results have been most striking. The duties on imported cottons produced in 1850 about $12\frac{1}{2}$ million reals, showing that the value of the imports had amounted to above 41,000,000 reals. And yet, despite this importation of woven fabrics, the imports of raw cotton increased from 258,860 cwts. in 1849 to 342,254 cwts. in 1850! Except the smuggler, all classes have profited by the change. Government has realised a considerable revenue; the consumers having been supplied on better terms, the taste for

* "Theory and Practice of Commerce," vol. ii. p. 310. Eng. Trans.

cottons has been diffused; and the home manufacture has been increased.

The case of Ireland during the latter years of the late war affords evidence, which is of itself more than sufficient though there were none else to which to appeal, to demonstrate the impotency of taxation when carried beyond a certain extent to produce revenue. We have previously seen that the too great additions made to the duty on spirits in Ireland occasioned a serious diminution and not an increase of revenue; and similar results followed the excessive additions made to the customs duties on spirits, wines, tobacco, and other articles imported into that country. But without tiring the reader by entering into details, it is sufficient to direct his attention to the following account of the nett revenue of Ireland in 1807, 1817, &c.:—

REVENUE of IRELAND paid into the Exchequer in British Currency, excluding the trifling articles of Quit-rents and Fees, in

	1807	1817	1818	1819	1820	1821
Customs - - -	1,976,961	1,483,805	1,635,470	1,514,259	1,202,380	1,437,653
Excise - - }	1,765,466	1,687,941	1,833,473	1,705,328	1,564,651	1,632,640
Assessed Taxes - }		442,708	342,615	280,150	264,570	308,223
Stamps - - -	564,424	520,266	509,039	482,469	407,403	400,827
Post-Office - -	71,390	57,230	46,153	53,538	59,077	65,538
Total - -	4,378,241	4,191,950	4,366,750	4,035,744	3,498,081	3,844,881

But in the interval between 1807 and 1816 taxes were imposed in Ireland which it was estimated would produce as follows:—

	£
Taxes imposed in 1808 -	- 363,000
„ „ 1809 -	- 600,000
„ „ 1810 -	- No budget.
„ „ 1811 -	- 338,000
„ „ 1812 -	- 229,000
„ „ 1813 -	- 595,000
„ „ 1814 -	- 521,000
„ „ 1815 -	- 730,000
	£3,376,000

Now, if we deduct from this sum taxes estimated to produce about 360,000*l.* a year remitted at the end of the war, it follows, had the estimates on which the taxes were imposed been good for anything, that the nett revenue of Ireland should have been about three millions greater in 1817 and the subsequent years than in 1807. But the previous account shows that instead of being increased, the revenue was less in 1817 than in 1807; and that the new taxes, which it was said would produce above 3,000,000*l.* a year, had not, in fact, produced a solitary sixpence. They diminished consumption, and threw the greater part of the supply of taxed articles into the hands of smugglers, but they were unable to divert a single farthing from the pockets of the people into the coffers of the Treasury.

Now, look at the other side of the picture: the duty on spirits, which amounted in 1817 to 5*s* 7¼*d.*, was, in 1843, only 2*s.* 8*d.* per gallon; the assessed taxes, which produced, in 1817, 442,708*l.*, had been wholly repealed; the rates of postage had been reduced from (probably) about 4*d.* or 5*d.* to 1*d.*; and some important reductions had been made in the customs duties. And yet, despite these reductions, despite the efforts of Father Matthew, which materially affected the duty on spirits, and despite that mendicant agitation which disgraced, distracted, and impoverished the country, the nett revenue of Ireland amounted in 1843 to 4,097,385*l.*! Can more be required to establish the superiority in every point of view of moderate over oppressive taxes?

It will, probably, be thought not a little singular that the revenue of Ireland has not suffered in any degree from the famine of 1846-47, or from the emigration that has since taken place. On the contrary, her nett revenue amounted in 1850 to 4,257,685*l.*, being about 160,000*l.* greater than in 1843! The truth is, that Ireland has gained by the diminution which has taken place in her population. The poverty of the peasantry was so extreme that they could contribute little or nothing to the revenue, while the rates required for their support made a serious inroad on the means of those who could contribute.

CHAPTER XI.

INFLUENCE OF VARIATIONS IN THE VALUE OF MONEY ON TAXATION.

The pressure of taxation is affected by variations in the value of money, increasing when its value rises, and diminishing when it falls.

Hume has observed, in his "Essay on Money," that "In every kingdom into which money begins to flow in greater abundance than formerly, everything takes a new face; labour and industry gain life, the merchant becomes more enterprising, the manufacturer more diligent and skilful, and even the farmer follows his plough with greater alacrity and attention. But when gold and silver are diminishing, the workman has not the same employment from the manufacturer and merchant, though he pays the same price for everything in the market. The farmer cannot dispose of his corn and cattle, though he must pay the same rent to the landlord. The poverty, beggary, and sloth that must ensue are easily foreseen."

Hume appears to have supposed that the stimulus he has so well described, which is given by an influx of money to industry, depended on the circumstance of the additional money coming first into the hands of capitalists, and enabling them to extend their businesses and employ more workpeople. But though this would undoubtedly have some influence, we incline to think that the philosophical historian has overlooked the mode in which an increase in the quantity and a fall in the value of money principally contribute to excite industry and enterprise. Such fall proportionally diminishes the taxes, and other fixed money-payments borne by the industrious classes. The prices of commodities vary with variations in the value of money, while taxes, rents, mortgages and other pecuniary burdens continue stationary. The latter are rated or specified in

certain amounts of money; those to whom they are due being obliged to receive the stipulated amounts in payment, though the value of money should fall 5, 10, or even 50 per cent. since the date of the contract or engagement in which the payments originate; those by whom they are due being on their part bound to pay the same amounts though there should be a corresponding rise in the value of money.* Hence the powerful influence of variations in its value over the different classes of society. When it declines, the debtor portion of society, or those who have fixed money-payments to make, are proportionally benefited at the expense of the creditor portion, or those who have such payments to receive, and conversely when it rises. Fundholders, annuitants, landholders during the currency of the leases of their estates, mortgagers, &c., suffer according to the diminution in the value of the currency; for though their money-incomes and claims continue nominally the same, their value is really reduced, and they no longer have their former command over necessaries and conveniences. But the farmer, while he pays the same rent to his landlord and the same taxes to government, sells his produce for a price increased proportionally to the reduced value of money. In like manner the merchant, manufacturer, and tradesman pay the same duties on their goods, the same port and market dues, the same tolls, the same rent for shops and warehouses, the same rate of interest for capital borrowed, while they all obtain increased prices for whatever they have to sell. In other words, the condition of farmers, manufacturers, and tradesmen of all descriptions is improved at the expense of their landlords and creditors, and of the fundholders, and other receivers of taxes, whose incomes are either temporarily or permanently reduced through the fall in the value of money. The greater the fall the more advantageous for them, and conversely.

Now, when we consider the endless variety of fixed or sta-

* In antiquity, when the weight and fineness of coins were liable to frequent changes, it was not unusual to stipulate that *valor monetæ considerandus atque inspiciendus est a tempore contractus, non autem a tempore solutionis.* But such stipulations are now unknown.

tionary pecuniary payments in such a country as this, including not only the sums paid as interest on the public debt, but most part of the other outgoings of government which do not speedily accommodate themselves to the altered value of money, with the rents payable for farms and houses let on lease, or under equivalent agreements, fees, duties, the interest of mortgages, and other stationary loans, the sums payable to private annuitants and to clergymen, the fees of lawyers, physicians, &c., it is obvious that these payments must amount, in the aggregate, to a vast sum. No doubt it sometimes, and, indeed, not unfrequently happens, that individuals belong to both classes, or that they have fixed payments to receive as well as to make, and that, therefore, neither the gain to the one party, nor the loss to the other, from fluctuations in the value of money, is so great as might be at first supposed. Still, however, there is no room for doubting that the greater proportion by far of fixed payments is made to the classes not engaged in business, or in industrious undertakings, by those who are. And hence the advantage conferred by any considerable fall in the value of money on the latter, that is, on those whose well-being is commonly, though improperly, supposed to be identical with that of the public. Such fall, by lightening the burden of taxation and of all the fixed charges affecting them, increases universally the productiveness of industry and the rate of profit. And it is hardly necessary to add, that this increased profit operates as a spur to production; that it quickens all the operations of trade, and occasions an increased demand for labour.

The opposite effects follow, of course, when, instead of falling, the currency becomes more valuable. Taxes and fixed charges being then augmented in an equal degree, the profits of those by whom they are principally borne are proportionally reduced; industry is depressed; and the situation of the productive classes changed for the worse.

Hence it is always indispensable, if we would form a fair estimate of the pressure of taxation at different periods, to ascertain, in the first place, whether money has been of the same value at the periods to be compared; and if not, how

much it has varied. A large nominal amount of taxation may not, provided money have a low value, be a greater burden than a comparatively small nominal amount of taxation, where money has a high value.

In illustration of this statement we may observe, that at an average of three years ending with 1816, the depreciation of the currency as compared with gold, amounted to 20 per cent., having in 1814 exceeded 25 per cent. Now, as the average nett revenue of the United Kingdom amounted during the same period of three years to 68,536,521*l.* a year, it follows, allowing for the depreciation of the currency, that it did not then really exceed 54,829,217*l.* estimated in our present money, being less than the average nett revenue of 1848, 1849, and 1850, which amounted to 55,239,255*l.* a year. And it has been argued, that if to the advantages accruing to the productive portion of the community during the latter years of the war, from the diminution of taxation occasioned by the depreciation, we add the advantages they derived from the diminution of rent, interest, and other fixed payments, it will be found that the burdens they had to bear at the period referred to were considerably less than those they have since had to sustain, notwithstanding the repeal of so many taxes.

But though the rise in the value of the currency subsequently to 1815 added materially to the burdens laid on the productive classes, it certainly has not done this to anything like the extent implied in this statement. Had population and industry remained about stationary since 1815, we do not know that those who contend that the payments on account of taxes and fixed burdens now to be made by the industrious classes do not differ materially from those they had to make in that year, would be very wide of the mark. But everybody knows that, instead of being stationary, the population, wealth, and productive capacities of the United Kingdom have increased prodigiously since 1815; so that, supposing the real amount of the public burdens and fixed charges to have varied but little since the above epoch, it must now, from the greater field over which it is spread,

and the greater ability to bear it, be proportionally less felt. The same amount of taxation that would entail great privations on an individual worth only 300*l.* a year would be comparatively little felt by him were his income increased to 450*l.* or 500*l.* And we incline to think that the increase of the public income since the conclusion of the revolutionary war with France has been in something like this proportion.

Although, however, there cannot, as it appears to us, be any doubt that a fall in the value of money, though injurious to large classes, is, on the whole, advantageous to a country, we hope it will not be thence inferred that we are disposed to approve in any degree of an intentional reduction of its value. Money being the standard or measure of value, it is of the utmost importance that it should vary as little as possible. Governments are bound to do all in their power to give effect to the legitimate contracts and engagements of individuals; and it would be the grossest injustice were they to attempt, by raising or lowering the value of money, to benefit certain classes at the expense of others. Whatever might be gained, on the one hand, by a depreciation of the currency would, there is every reason to think, be more than lost, on the other, by the flagrant breach of faith by which it would be accompanied. Public and private credit would, for a while, be destroyed; and a large amount of capital would be transferred to other countries as to places of security. It is needless to attempt to apologise for a measure of this sort by saying, that it is necessary to lighten the pressure of a taxation too great for the resources of the country. Were such really the case, the proper plan would be to make an equivalent deduction from the public debt; for this would accomplish the object in view without affecting the creditors of private individuals, and defrauding every one who had lent money or sold goods on credit of a portion of his just claims. "When it becomes necessary for a state to declare itself bankrupt, in the same manner as when it becomes necessary for an individual to do so, a fair, open, and avowed bankruptcy is always the measure which is both least dishonourable to the debtor, and least hurtful to the creditor. The honour of a state is surely

very poorly provided for, when, in order to cover the disgrace of a real bankruptcy, it has recourse to a juggling trick of this kind, so easily seen through and at the same time so extremely pernicious."*

It has sometimes been alleged that the rise in the value of the currency in the interval between 1814, when the depreciation was greatest, and 1821, when it ceased, was in reality much greater than is indicated by the difference during that period between the values of paper and gold. Those who make this allegation contend that the value of gold was itself raised by the return to specie payments. But we doubt whether this opinion have any good foundation. The quantity of the precious metals distributed among the various nations of the earth is too vast to have been sensibly affected by the drain occasioned by the resumption of cash payments in this country; and it is probable that the facilities given for the employment of bills, and other substitutes for money, by the nearly simultaneous cessation of hostilities on the continent, more than countervailed the increased demand for specie in Great Britain. The remarkable fall that has taken place in the prices of corn and most other articles since the peace has frequently been referred to as affording a conclusive proof of a general rise in the value of money. We believe, however, that it is impossible to specify a single article that has fallen in price since 1815, of which the fall may not be satisfactorily accounted for by changes in the channels of its supply, or in the cost of its production, or both. It is to the increased facilities given to commercial intercourse, and the wonderful improvements and discoveries in the arts, and not to any increase in the value of gold, that we are really indebted for the reduction in the price of commodities since 1816.

In so far, indeed, as the prices of commodities in this country were raised by the depreciation of the currency during the latter years of the war, in the same degree were they reduced when the currency recovered its value, and cash

* Wealth of Nations, p. 423.

payments were resumed. But there are no good grounds for thinking that the measure had any effect beyond what is now stated, or that it sensibly affected the value of gold, or raised the standard of the currency.

We have elsewhere given a pretty full account of the circumstances which led to the suspension of cash payments by the Bank of England in 1797.* At present it is only necessary to observe that they were wholly of an accidental character; and that though eventually the suspension led to an over-issue of bank paper, and the depreciation of the currency, it was not introduced because it was supposed or imagined it would have any such results. The error (and it produced the most mischievous consequences) consisted in not reverting to specie payments immediately after the crisis of 1797 had passed away. Seeing, however, that the standard had been virtually abandoned in 1797, and that the currency had been depreciated from 1800 down to 1819, and especially from 1809 to 1816, it is perhaps to be regretted that the standard was not diminished in 1815, or 1816, by raising the mint price of gold from 3*l.* 17*s.* 10½*d.* to 4*l.* 10*s.*, or 4*l.* 15*s.* an ounce. Great injustice was certainly done to those who had lent money to the state, or to individuals, previously to 1800, by the subsequent depreciation; though, as a large proportion of the debts or credits originally belonging to them must have changed hands during the depreciation, at a proportional discount, the further injustice that would have been done to these parties, by reducing the standard in 1815 or 1816 to the extent already mentioned, would not have been nearly so great as might at first be supposed; at the same time that it would have prevented the injury which the rise in the value of the currency between 1816 and 1821 did to the country, by making the loans and engagements entered into during the period of the depreciation be made good in an undepreciated currency. The truth, however, is, that the restoration of the value of the currency was in a great degree accidental; and that no proper opportunity was given for

* Wealth of Nations, Note on Money, p. 496.

inquiring whether, on the whole, it would be better to continue the depreciation, or to revert to the old standard. The large importations of foreign corn, subsequent to the opening of the Dutch ports in 1814, by occasioning a heavy fall in its price, produced an unprecedented degree of distress, first among the agriculturists, and subsequently among the country bankers. In 1814, 1815, and 1816 no fewer than 240 private banking companies either became altogether bankrupt or at least stopped payments. And the reduction that was thus occasioned in the quantity of bank paper in circulation raised its value so rapidly that in October, 1816, the depreciation was reduced to 1*l.* 8*s.* 7*d.* per cent. In 1817 and 1818 the average depreciation of paper did not exceed 2*l.* 13*s.* 2*d.* per cent. In the early part of 1819 it rose to about 6*l.* per cent; but it very soon declined, and in 1820 and 1821 paper was nearly on a level with gold.

It will, therefore, be observed that when the resolution to revert to specie payments at the old standard was taken in 1819, the currency had, owing to circumstances beyond the reach of legislative control, been for three years nearly at par. Rents, as well as prices, had been generally reduced; a vast number of annuity bonds had been cancelled; and much of the revulsion and mischief which every sudden increase in the value of money is sure to occasion had been got over. Had the question in regard to the restoration of the standard been agitated between 1810 and 1815, a different decision would, perhaps, have been come to. But when the matter was decided the currency had nearly recovered its value; so that the object of Parliament was not merely to restore the old standard, which it had pledged itself to do, but also to shut the door against a fresh depreciation, and to prevent the value of paper, which for about three years had been nearly on a par with gold, from being again degraded.

But even if it could be shown that the Act of 1819 (Sir Robert Peel's Act) was inexpedient at the time when it was passed, that would add little or nothing to the plea of those who continue to clamour for its repeal or modification. All the objections which it was possible to make to the degrada-

tion of the standard in 1819, apply with immeasurably greater force to every scheme for degrading it in 1851; while, on the other hand, all the arguments that could have been urged in favour of the measure in 1819 are now comparatively worthless. The restored standard has been maintained for thirty-two years, and ninety-nine out of every hundred existing contracts have been entered into with reference to it. To tamper with it now would be unmixed folly. We should again witness the most pernicious subversion of private fortunes. Debtors would be enriched at the expense of their creditors; the ignorant and unwary would be the prey of the cunning and crafty; and capitalists would be eager to leave a country where, owing to the bad faith of government, it was impossible to make loans except at the risk of getting repaid in a depreciated currency. "Whatever, therefore," to avail ourselves of the just and forcible expressions of Mr. Harris, "may be the fate of future times, and whatever the exigencies of affairs may require, it is to be hoped that that most awkward, clandestine, and most direful method of cancelling debts by debasing the standard of money, will be the last that shall be thought of." *

With the exception of the change occasioned by the discovery of the American mines, the value of the precious metals appears to have varied but little from the earliest times. It now, however, appears to be in the highest degree probable, that the value of gold (which is the standard of our currency) is about to undergo a further, and, perhaps, even a greater change, than was brought about in the 16th century and the first half of the 17th, by the importation of bullion from the New World. The late increase in the supply of gold obtained from the washings and mines of Asiatic Russia is altogether unprecedented; and if it should continue for a few years longer, it can hardly fail, even without any increase of the supplies from other quarters, to occasion a fall in its value as compared with silver and everything else. It

* Harris on Money and Coins, part ii. p. 108.

appears from the official accounts that the total produce of the washings in Siberia in 1830 amounted to rather less than 6 poods; whereas it has since gone on increasing with such extraordinary rapidity that in 1846 it amounted to 1363 poods. The total produce of all the Russian mines and washings in that year being 1677½ poods, equivalent to 66,985 lbs. troy, of fine gold, or (at 46*l.* 14*s.* 6*d.* per lb. troy) to 3,414,427*l.* sterling! And the produce in the interval has rather increased. It is material, also, to observe that these returns comprise only the gold on which duty is paid to the Russian Government; and considering the magnitude of the duty, which varies from 20 to 25 per cent., and the consequent temptation to fraud and smuggling on the part of the officers, as well as of the producers, we may be pretty well assured that the produce must have been a good deal greater than is stated in the returns. We have heard this excess variously estimated; but taking it at a fifth part, which we incline to think may be pretty near the mark, the total produce in 1846 will have been 4,097,312*l.*

But vast as this supply may appear to be, it is far exceeded by the produce of the Californian mines and washings. These, though not discovered till 1848, have become objects of universal interest, have attracted swarms of immigrants from all quarters of the world, and have exceeded the most extravagant estimates that were formed of their productiveness. Although it be all but impossible to obtain anything like accurate information on such a subject, it seems to be the general opinion of the best informed parties that their produce hitherto has not been less than from 8,000,000*l.* to 10,000,000*l.* sterling a year, and instead of falling off they are said to be becoming more productive than ever. If this anticipation should be realised, and the supply be continued for any considerable period, the effects originally produced by the discovery of the American mines on the value of money, can hardly fail to be again experienced.

California and Siberia are not, however, the only regions whence an increased supply of gold may be expected. Auriferous deposits have very recently been discovered in

Australia. And there would seem to be little doubt, after allowing for the exaggeration incident to such a topic, that considerable supplies may be expected from this quarter.

It may be supposed, perhaps, seeing the wide surface over which it has to be spread, that even this additional supply, vast as it obviously is, will not have any very marked effect upon the value of gold, at least for a lengthened period. This, however, will depend in a considerable degree on the continuance of tranquillity. Gold is used as coin and in the arts; but there is very little ground for supposing that the quantity of it used in the latter will be materially increased without a decided fall in its value. The insecurity that has prevailed in most parts of the continent since 1848, has occasioned a great deal of hoarding; and, consequently, a great additional demand for the precious metals. But supposing this insecurity to be removed, and tranquillity to be preserved, it appears probable, seeing the increasing use of bills and other substitutes for coin, and the various methods for economising its use that are everywhere being adopted, that the quantity of bullion converted into coin will not be very largely increased. It is true that the rapid increase of population and of civilisation going on in Europe, America, and Australia, adds proportionally to the field for the employment of the precious metals, and tends in so far to hinder their increase from sinking their value. Still, however, there can be little or no doubt, should the production of gold in Russia and California continue for a few years to be as great as in 1850, that its value will be materially reduced. And this reduction will, as already seen, exercise a powerful and beneficial influence over the condition of the productive classes in this and most other countries.

Changes in the value of money, after taxes have been laid on commodities, not only vary the pressure of taxation, but vary, also, the profits of those engaged in different businesses, and the distribution of capital and industry. Were no taxes laid on commodities, when any alteration took place in the value of money they would all sustain an equal rise or an

equal fall. So that if the value of bread, or any other article, varied from this cause 5, or 10, or 20 per cent., all other articles would vary to the same extent, and in the same way. But this is not the case when certain commodities are taxed: for, with respect to a taxed commodity, it is clear, inasmuch as the nominal amount of the tax continues the same, that only that portion of its price which is independent of the tax will vary with variations in the value of money. Suppose, by way of illustration, that a quantity of butchers' meat and a quantity of tea sell for the same sum, or for 100*l.*; and suppose, further, that money falls 10 per cent. in value; it is evident that the price of butchers' meat, which is not affected by any tax, will immediately rise to 110*l*; but as, at least, half the price of tea consists of a tax, the nominal magnitude of which is not affected by the change in the value of money, the depreciation will affect only that portion of the price of tea which is over and above the tax; so that, while the butchers' meat rises to 110*l.*, tea will only rise to 105*l.*

A rise in the value of the currency would have a precisely opposite effect. The money price of an untaxed article would then be reduced proportionally to the whole increase in the value of money; whereas that part only of the price of taxed articles which is exclusive of the tax would fall when money rose in value.

In these cases a change is made, not only in the pressure of taxation generally, but in its particular pressure on certain classes of producers; and a change being, in consequence, effected in their profits, capital is withdrawn from certain employments to be vested in others. Suppose, to exemplify this statement, that profits are at the same, or near the same level, taking all things into account, in different businesses: if, on the one hand, the value of money fall, the burden of taxation being proportionally diminished, the profits of all who are engaged in the production of taxed commodities will be evidently raised above the common level; while, on the other hand, if the value of money rise, the profits of those who produce taxed commodities will be as evidently sunk below that level. It consequently follows that all fluc-

tuations in the value of money, whatever may be their direction, if they be at all considerable, necessarily occasion at the time a good deal of disturbance in commercial plans and speculations, and a stagnation in some businesses with a corresponding excitement in others. But the distinguishing circumstance is that, in the end, when money rises in value, the profits of the industrious classes are diminished, and that when it falls they are increased. Hence the advantage, in a national point of view, when it is brought about by natural causes, or by an increased facility of production, of a fall in the value of the precious metals.

But, as already seen, no advantage of this sort can be derived through the interference of the Legislature. The rights and properties of all classes of its subjects being alike entitled to protection, no change of this description can ever originate with, or be countenanced by, a just government. However disguised, it must, in fact, be a robbery of one class or other. And it is not merely the duty of governments resolutely to oppose all attempts to change the value of money, but it also is the bounden duty of those by whom the issue of paper, or of other substitutes for coin, is authorised or tolerated, to take effectual means for maintaining the value of such paper or other articles constantly on a par with that of gold. No supposed advantage should ever tempt governments to palter with this principle, or to countenance any tampering, whether direct or indirect, with the currency. There is never any real distinction between what is just and what is useful. Nor is the use of light weights more disgraceful to an individual than the use of depreciated coin or paper is to a government.

CHAPTER XII.

REAL AND COMPARATIVE WEIGHT AND INFLUENCE OF TAXATION IN DIFFERENT COUNTRIES.

It would seem, from the silence that has prevailed on the subject, as if it had been all but invariably taken for granted that wherever publicity is given to financial details, the exact amount of the taxation borne by a country may be learned by a mere inspection of the public accounts. We, however, are inclined to think that this supposed facility has been a consequence principally of the subject having, notwithstanding its importance, been strangely overlooked; for a little inquiry would have sufficed to show that there are few things more difficult to learn than the exact amount of the public burdens borne by any considerable country. In making this statement we do not refer to any want of clearness or comprehensiveness in the public accounts. However distinctly they may be made out, it will, we apprehend, be found that they are far from supplying means by which to form a just or fair estimate of the magnitude of the national burdens.

The total *gross* revenue of the United Kingdom for public purposes, raised by taxation, including crown lands, amounted, in 1850, to 58,205,161*l*. And it may be supposed that if we add to this the taxation for local purposes, the sum will be the amount of the national burdens. This, however, would be a most erroneous conclusion; and we shall endeavour briefly to state why it would be so.

Clearly to understand this subject, it must be borne in mind that society consists of, and may be divided into, two great classes: those who subsist wholly or principally on incomes derived from their own property, or from private resources; and those who subsist wholly or principally on incomes derived from the state or from taxes. It is true that these two classes are mixed up in various ways—individuals

deriving their principal revenues from private sources being sometimes, also, sharers in the produce of taxation, and conversely. But supposing these discrepancies on the one side and the other to be balanced or adjusted, it is plain that whatever may be the nett revenue, or income free of all sorts of charges, which public functionaries of every description, and public creditors, derive from the state, it must be wholly paid by the other class, and will be identical (supposing the revenue and expenditure equal) with the amount of taxation.

It is easy, however, to see that the amount of taxation estimated in this way will be materially less than its amount as given in the official accounts. The latter, in fact, make all payments and receipts greater than they really are. The interest and other charges on the public debt amount at present to about 28,000,000*l.* a year. But not less, perhaps, than a fifth part of this sum is drawn back by means of taxes; so that the sum really paid to the public creditor may not exceed 22,400,000*l.*; and so in other cases. A public functionary, for example, gets a salary of 1000*l.* a year; but if one-fifth part of this sum be drawn back by taxes, his real salary or cost to the country is only 800*l.* Were all taxes superseded by an income-tax, the operose practice which is necessary at present of paying government annuitants and persons in the public service certain sums, and then drawing back portions of these sums by taxes on consumption, might be avoided, and their dividends or salaries proportionally reduced. And were such the case the public revenue and expenditure would each appear to be reduced by the amount of the deductions so made.

We may observe, in further illustration of this statement, that the cost of keeping up a regiment (and the same principle holds as to all other public establishments) is to be measured by the cost of the various articles, supposing them to be exempted from duty, required for the supply of the officers and soldiers. But these articles being used by other parties than public servants, it is necessary to subject them to duties; and, therefore, the pay of the troops is increased, so that they may be able to provide themselves with the necessary

quantity of taxed articles. It is obvious, however, that this increase of pay entails no sacrifice on government; for, being intercepted by the duties, it finds its way back to the coffers of the Treasury, and is again reissued to be again restored to them.

Hence it is indispensable, in attempting to form anything like a fair estimate of the national burdens, to deduct from their apparent amount all that portion of the taxes which is paid by public functionaries, and by those subsisting on the dividends or interest of money lent to government. The balance of taxation remaining after this sum is deducted forms the burden really borne by the public. If A owe B on one account 100*l.*, and B owe A on another 20*l.* or 30*l.*, it is plain that the sum really due by A to B amounts to only 70*l.* or 80*l.*; and such is precisely the case with the public. The state owes certain sums to certain parties; but these parties have, by means of taxes, to pay certain sums to the state; so that the sum really paid by the latter amounts only to the balance or difference between the two.

It would, however, be exceedingly difficult, or rather, perhaps, impracticable, to make anything like a fair estimate of what the balance in question may amount to in this or any other country. Much obviously depends on the nature of taxation. In countries like England, where by far the largest portion of the revenue is derived from taxes on consumption, the sums received from the public functionaries, creditors, and dependents on government, will, of course, be very much larger than in countries where the public revenue is mainly derived from land-taxes, or such like sources.

The inexpediency of attempting to raise any considerable revenue by means of income-taxes, has been sufficiently shown in previous parts of this work. But, without adverting to its other effects, we may observe that in the event of the present income-tax being increased, and corresponding abatements made from the duties on tea, sugar, tobacco, and such like articles, it is plain (unless a reduction were simultaneously made in their pay) that the condition of soldiers, sailors, and all government servants with salaries of less than 150*l.* a year,

would be materially improved; for, if their pay were not diminished, it would buy a greater quantity of the articles on which it has been expended, in consequence of their falling in price from the reduction or repeal of the duties. And, for the same reason, such a measure would be highly advantageous to the large body of funded proprietors who have incomes under 150*l.* But it would not be advantageous to any one else. It would lessen the means of capitalists to employ labour, and increase the temptation to carry capital abroad. And a measure productive of such results would, in the end, be most injurious to the labouring classes.

Taking the taxation of the United Kingdom as it now stands, we shall not, perhaps, be far wrong if we estimate the real magnitude of the national burdens at about 20 per cent. under their nominal amount given in the official and other accounts. And supposing the latter to average, including local taxes*, about seventy-three millions, the real burden will, on this hypothesis, be about 58,400,000*l.*

The previous statements show the kind of deductions which it is necessary to make from the budget of every country, in order to arrive at the true amount of the burdens it has to sustain. And as these deductions vary in different countries with the varying nature of their taxes, and other circumstances, which do not admit of being precisely determined, it follows that we can have no really accurate information respecting the absolute amount of the taxation to which they are subject. But supposing this to be known, or to be approximated to with sufficient precision for practical purposes, there would still be extreme difficulty in determining the degree in which different countries are taxed, as compared with their ability to bear taxes.

The amount of population has sometimes been supposed to be an index of capacity to support taxes. But were this the case, it would follow that Ireland, which has a population of

* Gross revenue for public purposes 58,000,000*l.*: local taxes, 15,000,000*l.* or upwards. We exclude tithes from this estimate, as they now fall wholly on the landlord.

about six millions, could afford to pay more than twice the taxes paid by Scotland, which has a population of 2,870,000. So far, however, from this being the case, the revenue of Ireland hardly equals that of Scotland; and yet there is no reason for thinking that the pressure of taxation is felt more severely in the latter than in the former.

Others have suggested that the amount of the capital belonging to different countries may be taken as a test by which to measure the comparative weight of their burdens. Its amount cannot, however, be determined with anything like even the rudest approximation to accuracy; and though it could, its adoption as a standard by which to determine such a point would lead to the most erroneous results, it being plain that a small capital where profits are high may be more productive than a large one where they are low. The market-rate of interest, which is generally proportioned to the customary rate of profit, is usually about twice as great in the United States as in England. *One* million of capital employed in America must, therefore, be about as productive, that is, it must yield about as large an annual income, as *two* millions employed in this country. And hence, if taxation, as compared with the amount of capital, were the same in both countries, it would, as compared with the profits or revenue derived from that capital, be about twice as heavy in England as in America.

Taxes being a portion of the incomes of individuals transferred to the State, it has been said that, if we ascertain the aggregate income of any two or more countries, and the number of their inhabitants, we may thence deduce the average incomes of individuals in each. And that it will be easy, by comparing the latter with the amount of the taxes falling on individuals, to learn the sum, and the proportion of their incomes, which they have respectively to contribute to the public revenue. This criterion is, however, no better than the others. It is quite impracticable to form anything like a correct estimate of the total or aggregate income of any extensive country; and though this difficulty were got over, and the income, population, and taxation of any two countries

were known, it might be all but impossible to say which was most, and which was least heavily taxed. The same amount of income yields a very different supply of necessaries and conveniences in different countries. And, supposing other things to be equal, the well-being of individuals depends, not on the amount of their money-incomes, but on the amount of necessaries and conveniences for which these incomes will exchange. Hence, supposing the average incomes of the people of two countries amount, before their taxes are paid, to 20*l.* a head; and that the taxes payable in the one amount to 2*l.*, and in the other to 3*l.* a head; we should not be able to say, without further examination, whether taxation was really heavier in the latter than in the former. For its pressure is to be measured not so much by what it takes, as by what it leaves; and if the 17*l.* of income remaining to the inhabitants of the one gave them a larger command over necessaries and conveniences than the 18*l.* remaining to those of the other, we apprehend it would be correct to say that of the two they were the least heavily taxed.

Experience shows, speaking generally, that the inhabitants of cold or temperate, and not very fertile countries, are more laborious than the inhabitants of countries which are comparatively hot and fruitful. In the latter the wants of individuals are more easily supplied; and the motives to industry being fewer or less urgent, it is prosecuted with less ardour. But if the motives to industry were strengthened in such countries by an increase of taxation, it could not, if kept within reasonable bounds, sensibly deteriorate, while it might, and most probably would, materially improve the condition of the population. Thus, if it were possible, by any system of training, to make the inhabitants of Italy nearly as industrious as the English, they might, it is obvious, afford to pay a much larger share of the produce of their labour in taxes, their necessities, owing to the mildness of the climate, being so much more limited.

The tastes or fashions, as well as the wants of people, have also a great deal to do in determining their capacity to

bear taxes. Where a taste for holidays, shows, processions, and the *dolce far niente*, is widely diffused, the people are generally deficient in industry, and having little surplus produce to dispose of, can contribute but little to the treasury. But where, on the other hand, they care little for holiday pastimes, and prefer regaling themselves with beer, spirits, or such like stimulants, government may, by taxing these, raise a large sum in the least objectionable way. The Neapolitan lazzaroni contribute nothing, whereas the English gin-drinkers and tobacco-smokers contribute a great deal to the revenue. The laziness of the former unfits them for any useful purpose. But the vices, or the tastes, of the latter, however injurious to themselves, conduce to the public advantage. We cannot change them or root them out, but we do what is better, we tax them. It is obvious, indeed, that if the prevailing taste of our people should undergo any material change, and the consumption of beer, spirits, and tobacco be gradually abandoned, it might be difficult to supply the deficiency it would occasion in the revenue without resorting to direct taxes of a very onerous description. It is doubtful, too, whether the population would gain anything by merely lessening their consumption of luxuries. No doubt if they lessened their consumption of gin and tobacco that they might improve their houses, their dress, or their food, or increase their deposits in the savings banks, they would gain immensely by the change. In such case they would substitute an advantageous for a pernicious or questionable taste. But without some such commutation, and if they restricted their expenditure upon luxuries, that they might meet the difficulties of their situation, or indulge in laziness, shows, or processions, their position would certainly be changed for the worse. A population which consumes but few luxuries is always in a very perilous situation. Being confined to necessaries, it can make few or no retrenchments in bad years, so that if dearth in such cases be not accompanied with famine, it must drive the poor in crowds to the workhouse. But a population which is habitually supplied with luxuries can, by relinquish-

ing or diminishing their use, provide a resource in bad years, and can withstand their pressure with comparatively little difficulty. Those, therefore, who inveigh against the luxury and dissipation of the lower classes, take generally, we are inclined to think, a narrow and prejudiced view of the subject. Their expenditure is certainly, in very many cases, about as bad as can be imagined; but still it is better that they should drink gin to excess and smoke tobacco than that they should lose these tastes without acquiring others in their stead. Such persons contribute largely to the public revenue, and they have besides room to retrench in periods of adversity; whereas those whose consumption is limited to necessaries, contribute little or nothing to the wants of the public, and in unfavourable seasons must either starve or live on alms.

It has sometimes been said that the influence of the taxation of different countries may be fairly estimated by contrasting their industry and the condition of their inhabitants. But these depend on many things besides taxation, on the security of property and the freedom of industry, the administration of justice, the intelligence, the religion and character of the people, and a thousand other circumstances. A small amount of taxes, if they be imposed in an arbitrary and capricious manner, like the *taille* in France, may be incomparably more injurious than a far larger amount raised by reasonable duties on expenditure. But if we compare two contiguous countries placed under nearly the same physical circumstances, and occupied by an industrious population, and find the condition of the people in the one to be decidedly preferable to their condition in the other, it is all but certain that the cause of the discrepancy will be found in some difference in their economical policy.

"I know no better way," says Smollett, in his Travels, "of estimating the strength, than by examining the face of the country, and observing the appearance of the common people, who constitute the bulk of every nation. When I, therefore, see the country of England smiling with cultivation; the grounds exhibiting all the perfection of agri-

culture, parcelled out into beautiful inclosures, corn-fields, hay and pasture, woodland and common; when I see her meadows well stocked with black cattle; her downs covered with sheep; when I view her teams of horses and oxen, large and strong, fat and sleek; when I see her farm-houses the habitations of plenty, cleanliness, and convenience; and her peasants well fed, well lodged, well clothed, tall and stout, hale and jolly; I cannot help concluding that the people are well able to bear those impositions which the public necessities have rendered necessary. On the other hand, when I perceive such signs of poverty, misery, and dirt, among the commonalty of France; their unfenced fields dug up in despair, without the intervention of meadow or fallow ground, without cattle to furnish manure, without horses to execute the plans of agriculture; their farm-houses mean, their furniture wretched, their apparel beggarly; themselves and their beasts the images of famine; I cannot help thinking they groan under oppression, either from their landlords, or their government, probably from both." *

This was a perfectly just conclusion. But, as already seen, the taxation of France, previously to the Revolution of 1789, was not oppressive from its amount, but from the partial and unjust principle on which it was imposed. Its inequality made it a scourge. And combined with political and legal abuses it gave birth to that Revolution, the advent of which Smollett has not obscurely shadowed forth in the remarkable letter to which we have now referred.

The facility with which capital and skilled labour may be transferred from one country to another, is an important consideration in estimating the influence of taxation. A rich and industrious people, provided they were surrounded by Bishop Berkeley's wall of brass, might permanently support a comparatively heavy load of taxes without a murmur. But in the actual state of the world, with a facility of intercourse between different countries greater than that

* Smollett's Travels, ii. 197. ed. 1766.

which formerly existed between contiguous provinces or the same country, the unequal magnitude of taxation may lead to important practical consequences. For though the taxes a people have to sustain should not really, when compared with their ability to bear them, be so heavy as those borne by their neighbours, yet if their absolute amount be materially greater, capital and skilled labour will gradually find their way to the latter. It must not, therefore, be supposed that because taxation bears in two or more countries the same proportion to the wealth or ability of the contributors, that it will have the same influence; for, if the rates of duty, or the number of duties, be greater in one than in others, individuals in the higher taxed country will see that if they emigrate to the others, and still more if they can contrive to carry their capital or property along with them, they will escape a large portion of the taxes they have at present to pay; for they will in such case have the fortunes of a rich with the taxation of a poor country. It is true that a great deal always depends, in cases of this sort, on the condition of the country where taxation is comparatively low; on the temptations which in other respects it holds out to residence; on its language; the nature and tone of its society; the presumed stability of its government; its proximity, and an endless variety of considerations. One country with comparatively low taxes may be otherwise such as to deter either foreigners or foreign capital from seeking a residence or an investment in it; while another may have so many attractions of a different kind that a little difference in respect of taxation might occasion a great influx of strangers and of wealth.

The instability of the political systems established in France since the downfall of Napoleon, and the bad faith of the Americans, have contributed to hinder the efflux of capital from this country. Were the same confidence placed by capitalists in the permanence of the government of France, that is placed in the permanence of our own system, there can be little doubt that a much greater amount of British capital would find its way to the former; that funded property in

France would bear nearly the same price that it bears in England; and that the manufactures of Rouen and the trade of Havre would be more extensive. But any feeling of insecurity is a most formidable obstacle to the investment of capital, and is more than sufficient to countervail a host of advantages. This is strikingly evinced in the instance of the United States. The uncertainty that attaches to most sorts of public investments in the Union, from the badness of the banking system, and the want of principle manifested by several of the subordinate legislatures, have checked the transfer of capital from England to America, notwithstanding the high rate of profit it realises in the States, and the identity of language, and other circumstances calculated to draw it to them.

But these, however powerful in their operation, are but contingent and accidental circumstances; and, *cæteris paribus*, it is quite as natural that capital should leave a country where profits are low to seek employment in one where they are high, as that water should flow from a high to a low level. And though local and peculiar circumstances may countervail for a longer or a shorter period the influence of a low rate of profit in sending capital abroad, the latter always exists, and is sure, whenever an opportunity offers, to manifest itself. There is, in fact, no instance of a country being burdened with comparatively high taxes in which this effect has not been experienced, or from which there has not been, at one time or other, an efflux of people and of wealth.

A reduced rate of profit and inadequate wages seem to be necessary consequences of oppressive taxation. The amount of the latter forms of course an equivalent deduction from the produce of industry; and the greater that deduction the less necessarily remains to be divided among the parties employed in production. Suppose that a capitalist and the labourers in his employment produce in a given period 100,000 quarters of wheat, or 100,000 yards of cloth, of which a fifth part, or 20,000, go to replace the capital wasted in the production: the remaining 80,000 quarters or 80,000 yards would, sup-

posing there were no taxes, be divided between the capitalist and his work-people, 20,000 probably going as profit to the one, and 60,000 as wages to the other; and whatever quantity might go to each, it is plain there would be no one else to share in the gross amount. But instead of taxation being unknown, it usually forms a large deduction from the produce of industry; being seldom perhaps less than 8 or 10, and sometimes as much as 25 or 30 per cent. of that produce. Suppose that in the case before us taxation abstracts directly and indirectly a fifth part, or 20 per cent., of the produce of industry, that is, of the 80,000 quarters, or 80,000 yards, remaining after the capital wasted in their production has been replaced; in such case the gross income of the capitalist and his labourers will be reduced from 80,000 to 64,000, the profit or income of the capitalist being probably reduced from 20,000 to 12,000, and the wages or income of the labourers from 60,000 to 52,000. At all events, it is clear that in whatever way the deduction on account of taxation may affect the different parties, it must be subtracted from the produce they have conjointly raised; and that in whatever degree its amount may be increased such increase must fall on the one party or the other, or both. The presumption is, for the reasons already stated, that an increase of taxation will in most cases affect in the end profits to a greater extent than it affects wages; but it generally, also, if it be carried to any very considerable height, makes a serious inroad on the latter, and compels the labourer to economise.

But there are other circumstances that have to be carefully attended to in estimating the influence of taxation. It has been fully shown in previous parts of this work, that well selected taxes, if they be not carried to an unreasonable extent, are usually defrayed, either wholly or in part, by an increase of industry and economy. In the above case the various taxes affecting the parties engaged in the production of corn are supposed to amount to $\frac{1}{5}$th part of the nett produce. No doubt, however, their influence has conspired to make so large a quantity be produced; and supposing they were reduced or repealed, it is most probable that the industry

of the labourers would be relaxed. This, indeed, would be all but certain to be the case, were they in the habit of spending any considerable portion of their earnings in the gratification of questionable tastes or habits. Such a reduction of duties as would enable the poor to increase their consumption of tobacco and gin would be no advantage to them, nor to any one else, but the reverse. It is not, in fact, by duties of this description, but by too heavy duties on necessaries, and still more by duties on property and income, or both, that industry is injuriously affected. And though the condition of those engaged in industrious undertakings in a country subject to such taxes may not be worse than when it was less heavily taxed, and may even be very materially improved, every one sees that it would be still better were taxation reduced. The increased ability to bear the burden is forgotten, and the attention is exclusively fixed on the burden itself. Its influence, and the inconveniences thence arising, are exaggerated; and all classes become desirous to escape its pressure, or to throw it on others.

It is also true that the increased industry and invention which may at the time more than neutralise an increase of taxation, is apt at a future period to be exerted under less advantageous circumstances. The improved processes, and more economical methods of carrying on industrious undertakings, occasioned by an increase of taxation, gradually make their way to other countries where the burdens falling on the industrious classes are less heavy; and while they improve the condition of those among whom they are thus introduced, they of course enable them to become more formidable antagonists of the more highly taxed producers in the markets common to both. The temptation to convey away capital and skilled labour from countries subjected to taxes on property and necessaries is thus also progressively augmented; so that the fair inference seems to be that such taxes, though they may for a while stimulate industry and invention in the countries subject to their influence, may not improbably in the end occasion their decline and fall.

The case of Holland affords a striking confirmation of

the truth of what has now been stated. Notwithstanding the laudable economy of her rulers, the vast expense the republic incurred in her struggle to emancipate herself from the blind and brutal despotism of Old Spain, and in her contests with Cromwell, Charles II., and Louis XIV., led to the contraction of an immense public debt, the interest and other charges on which, with the current expenses of the government, obliged her to lay heavy taxes on the most indispensable necessaries. Among others, high duties were laid on foreign corn when imported, on flour and meal when ground at the mill, and on bread when it came from the oven. Taxation affected every source of production and every channel of expenditure. So oppressive did it become, that it was supposed to double the price of bread consumed in the towns; and it was a common saying in Amsterdam, that every dish of fish brought to table was paid for once to the fisherman and six times to the State! For awhile, however, or during their increase, and for some considerable time thereafter, these enormous taxes appear to have had little or no influence in retarding the progress of the republic. Her commerce, fisheries, and manufactures continued to increase down to the invasion of her territories by Louis XIV. in 1672. But from this epoch, or perhaps a little previously, their pernicious operation began gradually to become more and more obvious. And subsequently to the Treaty of Utrecht, in 1713, it became a subject of frequent discussion, and engaged the serious attention of her principal merchants and statesmen. Wages having been raised so as to enable the labourers to subsist, the weight of taxation fell principally on the capitalists. Profits being in consequence reduced below their level in the surrounding countries, the United Provinces gradually lost their ascendancy; their fisheries and manufactures were undermined; and their capitalists chose in the end rather to transfer their stocks to the foreigner than to employ them at home. The well-informed author of the "Richesse de la Hollande," says in reference to this subject, "*L'augmentation successive des impôts, que les payements des intérêts et les remboursements ont rendu indispensables, a détruit une grande*

partie de l'industrie, a diminué le commerce, a diminué ou fort altéré l'état florissant où étoit autrefois la population, en resserrant chez le peuple les moyens de subsistence." * The same distinguished authority tells us in another place, that in 1778 the Hollanders had about 1,500,000,000 livres (62,000,000*l.* sterling) in the public funds of France and England. And if any further proof of what has now been stated should be required, we might refer to the interesting "Memoir on the Means of Amending and Redressing the Commerce of the Republic," drawn up from information communicated by the best informed merchants, and published by order of the Stadtholder, William IV., Prince of Orange, in 1751. The various causes that originally promoted, and which subsequently depressed the trade and industry of Holland, are skilfully developed in this Memoir. And its authors place "At the head of all the causes that have co-operated to the prejudice and discouragement of trade, the oppressive taxes by which, under different denominations, it has been burdened. It can only be attributed to these taxes, that the trade of this country has been diverted out of its channel, and transferred to our neighbours; and that it must daily be still more and more alienated and shut out from us, unless the progress thereof be stopped by some quick and effectual remedy. Nor is it difficult to see from these contemplations on the state of our trade, that the same can be effected by no other means than a diminution of all duties." †

But, as every one knows, this "quick and effectual remedy" was not applied. And though the prudence and economy of the Dutch, and the possession of Java, have enabled them to preserve a large amount of wealth with a respectable share of the commerce of the world, their pecuniary and mercantile preponderance are now matters of rather remote history. Notwithstanding their partial bankruptcies, the Dutch continue to be burdened with an amount of debt and taxes that would crush any less industrious and frugal people.

* Richesse de la Hollande, 4to. ed., ii. 179.

† Memoire, p. 27., Eng. ed., Lond. 1751.

It would, however, be unphilosophical to conclude, because such has been the pernicious influence of the too great increase of debts and objectionable taxes in Holland, that such also would be their influence in England and elsewhere. The fate of nations depends on a vast variety of contingent and accidental circumstances, which it is, for the most part, impossible to estimate with any degree of precision, or even to foresee. These circumstances may, on the one hand, by increasing the productive capacities, the commerce and riches of a country, enable her to support a heavy load of taxes with comparatively little difficulty; or they may, on the other hand, have a directly opposite effect, and by crippling her means and resources, proportionally increase the severity of their pressure. Hence the folly of laying much stress on theoretical conclusions in regard to the future influence of taxation over the fortunes of any great country. The discovery of improved processes and new inventions in the arts, changes in the channels of commerce, and in the value of money, the overthrow of old and the establishment of new forms of government, the occurrence of wars, and a thousand other events which it is impossible to conjecture, may vastly increase or proportionally diminish the power of countries to bear taxes, at the same time that they may add to or lessen their magnitude.

Whatever may be the fate of a country subject to a high rate of taxation, it seems impossible to doubt that it operates as a clog on her progress; and that *cæteris paribus* it is a source of impoverishment and weakness. We have seen the extreme difficulty of forming anything like a correct estimate of the comparative pressure of taxation in different countries; but of its absolute magnitude in England there can be no doubt. It has been sufficiently shown in the course of this chapter that the real amount of our public and local burdens may be taken at about fifty-eight millions. Now, as the rental of the whole landed property of Great Britain is very considerably under that sum, it follows, that though Government were proprietors of every acre of land in this

island, the revenue thence arising would be quite insufficient to meet the public outgoings.

It is, perhaps, unecessary to say more in illustration of the absolute magnitude of our taxation. We may, however, shortly compare it with the cotton manufacture. Everybody is aware of the extent and importance of the latter. The great towns of Manchester, Glasgow, Bolton, Oldham, Preston, Blackburn, Bury, and a host of others, are principally dependent on this great branch of industry. But the total annual value of its produce in woven fabrics and yarn, including the raw material, cannot with any show of probability be estimated at above 34,000,000*l.* or 35,000,000*l.* a year, so that it is obvious that though the produce and value of the cotton manufacture were increased 70 per cent., and then wholly appropriated by Government, it would not more than suffice to defray the aggregate public expenditure!

Though moderate in the extreme compared with most of those that have been put forth on this subject, these statements are sufficient to show that our taxation abstracts a very considerable portion of the produce of the land and labour of the country. Within these few years, however, it was much more burdensome and oppressive than at present from the indirect operation of duties and prohibitions, imposed more in the view of protecting certain classes or interests than of raising revenue. The deleterious operation of the corn laws, though much mitigated previously to their abolition in 1846-49, was still very considerable. And this, also, was the case with the late sugar-duties, the timber-duties, the prohibition of foreign cattle and provisions, and so forth. The repeal of some of these regulations and duties, and the placing of others on a fair and rational footing, have been attended with the greatest advantage to the productive classes generally, and more especially to the labourers. It is indifferent to the latter, at least in the first instance, whether their wages be increased, or the price of the articles on which they are mostly expended be reduced. Such, however, is not the case with their employers, to whom an increase of wages

is not unfrequently injurious. But a fall of prices resulting from improved methods of production, from the opening of new markets, or from the repeal of taxes or restrictions, though it may sometimes, perhaps, occasion a little temporary injury in one or more departments, is sure to be in the end of the greatest advantage to every class and order of the community.

At the same time it may be admitted that our taxation, though not in any degree oppressive, is still very heavy, and that every effort, consistent with the maintenance of justice, good faith, and the national security, should be made to lighten its pressure in those parts in which it is really objectionable. Its mischievous influence has, however, been grossly exaggerated; and one would be inclined to suppose, were much reliance to be placed on the tracts that are circulated and the speeches that are made, that it was the grand source of pauperism and crime. In truth and reality, however, it may be doubted whether either the one or the other would be perceptibly abated were taxation wholly abolished.

There is a great deal of fallacy in most estimates of the operation of taxation which are founded on statements of its absolute amount. Fifty or sixty millions is undoubtedly a gigantic sum; but the influence of its payment is not to be measured by its amount, but by the extent to which it affects the comforts and the well-being of the mass of the public. There are twenty-one millions of people in Great Britain, so that a small contribution from each produces in the aggregate a very large sum. And we have already seen that taxes may be imposed so as to promote industry, and to check extravagant and unprofitable expenditure; and that they frequently occasion the production or saving of more wealth than is sufficient for their discharge.

Certainly, however, we do not mean to say that this either has been, or is the case at present, notwithstanding the improvements that have been effected, with all our taxes. The condition of the people would undoubtedly be a good deal improved by an adequate reduction of the present exorbitant duty on tea. But no such effects would follow from a

reduction of the far more productive duties which are laid on tobacco, spirits, and we may add malt. The duties on these articles may, in truth, be regarded as sumptuary penalties intended to check pernicious habits and wasteful expenditure. We have already seen the immense outlay upon tobacco.* But that on spirits and beer is still greater; and in so far as relates to spirits more injurious. In 1850 no fewer than 7,122,987 gallons of British spirits were entered for consumption in Scotland, which gives an average supply, exclusive of brandy and other foreign spirits, of about $2\frac{1}{2}$ gallons to every individual whether young or old, male or female, in the country. This supply, allowing for duties, adulteration, retailers' profits, &c., probably costs not less than 3,500,000*l.* a year. But the pecuniary sacrifice, immense though it be, is trifling compared with the idleness, dissipation, and crime resulting from this immoderate indulgence in spirits. In England the state of things is no better; for, though the consumption of spirits (9,331,512 gall. in 1850) be less as compared with the population than in Scotland, the deficiency is more than compensated by the far greater demand for beer in the former. It is a contradiction and an absurdity to suppose that the condition of the people would be improved by repealing the duties on such articles. It would merely give them greater facilities and greater temptations to indulge in that intemperance which is their bane. The duties on all sorts of intoxicating liquors and stupyfying drugs should, in fact, be kept up though their produce were not necessary to the public service. And they should be fixed at the rate, whatever it may be, which, without giving any extraordinary stimulus to smuggling, yields the largest amount of revenue.

The income-tax, the house-tax, and the stamp and legacy duties, are of a very different character. But whatever may be their influence, they are not generally unpopular. This, however, is to be ascribed to their defects rather than to their merits; to the narrow and unfair principle on which they are assessed, and to their not directly affecting the bulk of the population.

* See p. 337.

Little, we believe, can be done to lighten the pressnre of taxation by the reduction of the public expenditure. Some petty savings may, perhaps, be effected in a few departments. But so long as we make adequate provision for the security and good government of the different parts of the empire, there is hardly so much as the shadow of a ground for snpposing that our expenditure can be materially reduced. On the contrary, the probability is, that it will have to be enlarged. At all events, it is the merest delusion to look to savings from expense as any resource against any evils with which we may be assailed. A country like England, with colonies and dependencies in every part of the world, must have always on foot a very formidable force. Without the ability and the determination to maintain, at all hazards, every iota of her rights, no nation can be really independent, or exist otherwise than by sufferance. Treaties, conventions, and the sanctions of public law are but little to be depended on. Like the paper cannons of the Chinese, they are good only for holiday service. The motto of the old Scottish kings, *Nemo me impune lacessit,* embodies the only principle on which any stress can be safely laid. Our parliament, our free press, and all that we most value, are, in truth, principally dependent on our bayonets and our ships of war. To weaken the latter is to endanger the former. *Omnes urbanæ res, omnia hæc nostra præclara studia, et hæc forensis laus, et industria, latent in tutela ac præsidio bellicæ virtutis. Simulatque increpuit suspicio tumultus, artes illico conticescunt.**

With a large public debt, a great amount of taxation, and a vast manufacturing population, it were absurd to conclude that there is nothing critical in the situation of this country. But in so far as respects taxation the inconveniences resulting from it have been greatly diminished, and are now far fron formidable. And the rapid increase of wealth, or of the capacity to bear taxation, will proportionally lessen its pressure in time to come. This is the source to which we mnst principally look for a reduction of the public burdens. A good deal, no doubt, might and ought to be done to im-

* Cicero pro Murena, § 9.

prove some parts of our fiscal system, by making it press in as far as practicable, equally on all classes. But it is idle to expect that the amount of its pressure should be materially diminished otherwise than by the increased ability of the country to bear it.

Considering its extent, its fertility, and the amount of its population, Ireland is, at this moment, the least heavily taxed country of Europe. But we are by no means clear that the immunity from taxation which the Irish have hitherto enjoyed at the expense of the people of Great Britain has been in any respect advantageous to them. It is difficult to imagine that they could have been worse, and the probability rather is, that they would have been better off, had they been subjected to the taxes imposed in Britain. And as it is contrary to all principle that one part of the United Kingdom should be more heavily burdened than another, measures should be taken for gradually extending the assessed and other taxes to Ireland from which she is now exempted.

Unfavourable inferences have been sometimes drawn in relation to the state of the country, from the declining or slowly progressive consumption of some leading articles subject to taxation. The stationary state of the wine trade, and the decreased productiveness of the duties on foreign spirits, have been appealed to in proof of these inferences; and it is further affirmed that the increase in the consumption of malt is not such as might have been expected. But we doubt whether any stress can be fairly laid on these circumstances. The increase of population is, indeed, most rapid, and if no deterioration take place in the condition of the bulk of the people, a corresponding increase may be fairly anticipated in the consumption of most articles in general demand. We cannot, however, look for the full development of this principle, except in those instances in which duties are moderate, and when the articles are not affected by changes of fashion. The limited use of foreign spirits has, no doubt, been occasioned by the too high duties that were, and in truth still are, imposed on them. But the stationary consumption of wine cannot be ascribed to the duty, though,

perhaps, it might be reduced with some advantage. It is, we believe, mainly occasioned by a change of habits resulting from the greater prevalence of sobriety among the upper and middle classes, and other influences. Something of the same kind may probably have contributed to check the increase in the consumption of malt.

But, however accounted for, the stationary consumption of any great article deserves attentive consideration. It is doubtful, perhaps, whether the condition of the labouring part of the population was sensibly improved during the five-and-twenty years ending with 1846. And notwithstanding the considerable advantages conferred on them by the measures of that year, their condition is yet far from prosperous, and their comforts and enjoyments have not been increased in anything like the same proportion as those of the classes above them. Inasmuch, however, as the labouring poor constitute the majority of the population, their condition is of the utmost importance, not only in regard to their own well-being, but also in regard to that of the other classes. The depressed condition of any very large class, especially if it be strongly contrasted with vast wealth, extravagance, and luxury on the part of others, is a most undesirable state of things, and one which can hardly fail to produce discontent, sedition, and disturbance of all kinds. Lord Bacon says, that "of all rebellions those of the belly are the worst." And he adds, "The first remedy or prevention is to remove, by all means possible, that material cause of sedition of which we speak, which is want or poverty in the estate." No one, indeed, can doubt that it is the bounden duty of the legislature to adopt every safe and practicable measure for eradicating or countervailing the causes of poverty among the mass of the people, and for adding to their comforts and enjoyments. Little, however, can be done in furtherance of these objects by modifications of our system of taxation. But a good deal might be done otherwise; as we have endeavoured to show in our Treatise on the Circumstances which determine the Rate of Wages and the Condition of the Labouring Classes, to which we beg to refer the reader.

PART III.

FUNDING SYSTEM.

CHAPTER I.

ADVANTAGES AND DISADVANTAGES--RISE AND PROGRESS OF THE FUNDING SYSTEM.

THE expenditure of civilised communities in time of peace does not often exceed, at least to any great extent, their ordinary revenue. It is otherwise, however, in time of war. When the independence and honour of a nation are at stake, proportional sacrifices must be made to maintain them. Hostile aggression and insult must be opposed and avenged. But to do this requires extraordinary funds; and the question how they may be most advantageously provided is one of no ordinary importance.

It was the common practice of antiquity to make provision in times of peace for the necessities of war, and to hoard up treasures beforehand as the instruments either of conquest or of defence, without trusting to extraordinary imposts, much less to borrowing, in times of disorder and confusion. The Athenians are said to have amassed upwards of 10,000 talents in the interval between the Persian and Peloponnesian wars, and the Lacedæmonians imitated their example.* A large treasure, part of which had been stored up from the age of Cyrus, fell into the hands of Alexander the Great on the conquest of Susa and Ecbatana.† In the Roman commonwealth the *aurum vicesimarium*, or tax of the twentieth penny on the manumission of slaves, was ac-

* Hume's Essays on the Balance of Trade and on Public Credit.

† Ibid.

cumulated, along with various sums taken from subjugated states, in the Temple of Saturn, as a sacred deposit to be used only in the utmost emergency. On leaving Italy, Pompey was weak enough, or careless enough, to leave this treasure behind him, which, in consequence, became the prey of his less scrupulous or more vigilant rival.* At a subsequent period Augustus, Tiberius, Vespasian, and all the more able emperors, were in the habit of accumulating treasure. Paulus Æmilius brought a large amount of gold and silver to Rome, which is, however, admitted to have been a part only of the wealth of the kings of Macedon, Perseus having previously dissipated a considerable portion in his wars with the Romans. The practice, in fact, was universal in the ancient world; but in modern times it has been but little followed, except by the canton of Berne, Frederick the Great, and a few other princes. The circumstance of its having been strongly commended by Hume is perhaps the most that can be said in its favour. But he appears to have overlooked the important fact that those who amass treasure, withdraw, in so doing, a corresponding amount of capital from the great work of production; and that, consequently, it must, by diminishing the wealth and means of employment of the countries in which it is accumulated, render them less opulent and powerful. For this and other reasons the practice of hoarding is now generally admitted to have been founded on erroneous principles. And modern politicians and economists seem to be universally of opinion that war expenditure should either be entirely defrayed by a proportional increase of taxation, or partly in that way and partly by loans.

The question which of these modes should be adopted has been long and vehemently discussed, and has given rise to the most contradictory statements. This, however, appears to have arisen more from the partisan spirit so generally displayed by those who have engaged in the discussion than from any real difficulty inherent in the subject. Neither

* Middleton's Life of Cicero, 4to. ed., ii. 104.; Plin. Hist. Nat., lib. iii. cap. 3.; and the famous passage in Lucan, lib. iii. lin. 115—158, &c.

party seems to have taken any very comprehensive view of the different bearings and incidences of the question. Proceeding on some general principle which, perhaps, was doubtful in itself, and which, at all events, did not admit, in such a matter, of being carried to an extreme, they have concluded either that the one or the other mode of providing for any extraordinary expenditure should be exclusively adopted. But it will be found that this is a question of balanced difficulties, and in which much depends on circumstances; that at one time an increase of taxation may be the preferable mode of raising the supplies, and that at another they should be raised by loan, or partly in the one way and partly in the other. On occasions when either plan may be adopted with tolerable facility and without danger to the government, or to industry, we are disposed to conclude, for the reasons that will be immediately stated, that an increase of taxation should be preferred. But this is a mode of meeting extraordinary expenses that can be advantageously resorted to only by a strong and well-established government, and when the situation of a country is such as fits it for bearing a sudden and considerable increase of taxation. If the government be weak, or if the country be already heavily burdened, as compared with its ability to bear taxes, loans would seem to be the best means of providing for an emergency.

Before proceeding to inquire into the merits of the funding or borrowing system, as a plan for providing for the extraordinary expenses of a state, we may shortly observe that in its infancy the nature and influence of a public debt were very generally misunderstood, and several unfounded theories were advanced respecting it which are not yet entirely relinquished. Bishop Berkeley pretty plainly insinuates that he considered "the public funds as a mine of gold."* Melon, the author of the "Essai Politique sur le Commerce," published in 1735, does not go quite so far as Berkeley; but he contends, and

* Querist, No. 233.

his opinion has had many supporters, that the debts of a nation are "debts of the right hand to the left;" and that, consequently, they have no tendency either to increase or diminish national wealth.* But the speculations of his predecessors were all thrown into the shade by those of Pinto, a Jew merchant resident in Holland, and author of an otherwise ingenious work, "De la Circulation et du Crédit," published in 1771, who undertook to demonstrate that public debts, far from being a burden, were so much added to the national wealth by the magical influence of eredit! (p. 44, &c.) And, singular as it may seem, not a few individuals of eminence have expressed their belief in this ridiculous paradox. Truly did Hume say of such theories that they "might have passed for trials of wit among rhetoricians, like the panegyrics on folly and fever, on Busiris and Nero, had we not seen them patronised by great ministers and even by a whole party amongst us."† The fallacy of such notions is, indeed, so very obvious that it is not a little surprising they should ever have been entertained. It may be conceded to Melon, for it is unnecessary again to notice Pinto, that the *interest* of the public debt is a debt of the right hand to the left, or is so much money paid by one portion of society to another. But the question does not regard the interest, but the PRINCIPAL, for which the interest is paid. And as it was not made over by one set of individuals to another, but to the government, by whom it has been spent as revenue, or annihilated, it follows that the income of the stockholders must be wholly derived, by means of taxes, from the property and industry of others.

This doctrine has been stated, with his usual ability and clearness, by Mr. Justice Blackstone:—"By means," says he, "of our national debt, the quantity of property in the kingdom is greatly increased in idea, compared with former times; yet, if we coolly consider it, not at all increased in reality. We may boast of large fortunes and quantities of money in the funds; but where does this money exist? It exists only

* Essai, &c., p. 296, ed. 1736. † Essay on Public Credit.

in name, in paper, in public faith, in parliamentary security; and that is undoubtedly sufficient for the creditors of the public to rely on. But then, what is the pledge which the public faith has pawned for the security of these debts? The land, the trade, and the personal industry of the subject; from which the money must arise that supplies the several taxes. In these, therefore, and in these only, does the property of the public creditors really and intrinsically exist: and, of course, the land, the trade, and the personal industry of individuals are diminished in their true value just so much as they are pledged to answer. If A's income amounts to 100*l.*, and he is so far indebted to B that he pays him 50*l.* a year of interest, half the value of A's property is transferred to B, the creditor. The creditor's property exists in the demand which he has upon his debtor, and nowhere else; and the debtor is only a trustee to his creditor for half the value of his income. In short, the property of a creditor of the public consists in a certain portion of the national taxes; by how much, therefore, he is the richer, by so much the nation, which pays these taxes, is the poorer." *

It is not, however, meant, in laying these statements before the reader, to deny the policy of contracting debt. That depends on wholly different considerations; and supposing a war to be just and necessary, and that it has been ascertained that its expense may be best defrayed by means of loans, their expediency is no longer a question. It is further to be borne in mind, that as the taxes required to defray the interest of loans are seldom very oppressive, they not unfrequently exert a beneficial influence over industry; and through the stimulus they give to invention and economy usually replace (and sometimes more than replace) the interest. Neither is it to be doubted that there are several considerable indirect advantages connected with the existence of a public debt. The readiness with which portions of it may be transferred from one individual to another; the facilities which it consequently

* Commentaries, i. 327.

affords for investing the smallest as well as the largest savings, have certainly had a beneficial influence; and it is not easy, indeed, to see how some of our most important businesses, as those of banking and insurance, could be advantageously carried on, did the public debt not exist. Yet, if we consider it apart from the urgent circumstances which make it be contracted, the disadvantages connected with the accumulation of a large public debt appear very much to outweigh its advantages. The taxes which the payment of the interest involves may lay a country under serious difficulties; and by reducing the rate of profit and crippling the public energies, may stimulate the transfer of capital and manufactures to less heavily taxed countries.

But, however important, these, after all, are matters of subordinate interest. The preservation of national independence and honour is in every case the paramount consideration; and no sacrifice, whether of treasure or of blood, should be deemed too great by which they may be maintained and transmitted entire to the remotest posterity. Nothing can compensate for their loss or insecurity. And if loans be the only, or the best, means by which, in cases of emergency, these great interests may be preserved, they should, without hesitation, be resorted to, whatever may be their ultimate influence.

> Summum crede nefas, animam præferre pudori,
> Et propter vitam vivendi perdere causas.

When, however, the necessity is not so urgent, or when any extraordinary expense may be defrayed either by loans, or by an equivalent increase of taxation, or partly in the one way and partly in the other, it is of the greatest importance to be able to decide, on just grounds, which should be preferred.

If the facility with which money may be obtained were the only circumstance to be attended to in comparing the borrowing system with the plan for raising the supplies within the year by a corresponding increase of taxation, the preference would, in every case, have to be given to the former. The

regularity with which the stipulated interest is paid, the ease with which funded property may be disposed of, and the hope which every one's confidence in his own good fortune makes him entertain of profiting by fluctuations in its price, enable governments to obtain the largest loans on the shortest notice and with very little difficulty. The public, on their part, are equally well pleased with this system. Instead of being called upon to advance a large sum in taxes, they are only taxed to pay the interest of that sum. A burden of this limited extent, as it lays no individual under the necessity of making any considerable additional exertions, or any considerable reduction of his expenditure, is generally submitted to without a murmur. Such a mode of providing for the expenses of a war seems to divest it of more than half its hardships. And we cease to feel surprise that governments should universally resort to a system which, while it furnishes them with the largest supplies, is so very popular with their subjects.

But the merits of the funding system are not to be determined merely by the *facility* which it affords for raising supplies. That certainly is a consideration which is not to be overlooked; but there are others which are of still greater importance. The real effects of any financial operation can never be ascertained by looking at those only of which it is immediately productive. We must extend our observation to those which are more remote, and endeavour, if possible, to trace its permanent and ultimate influence. Now, if we do this, if we attend, not to the transitory only, but also to the lasting effects of the practice of funding, we shall find that the facility which it gives of raising the supplies is only on certain occasions an advantage, and that, on others, it may be a serious defect. It is nugatory to imagine that any scheme for defraying war expenditure should ever be proposed capable of protecting individuals from the losses and privations inseparable from national struggles. Every people involved in war, however just and necessary the contest may be, must sooner or later experience the effect of the waste of capital, or of the means of future production, which it rarely fails to

occasion. And it is clear that no scheme of finance can be bottomed on sound principles which disguises these necessary consequences of war, and deceives the public with regard to their real situation. This, however, is notoriously the case with the funding system. It is truly said to require no individual to make any extraordinary sacrifice at any particular period. And in this respect it bears a close resemblance to those most dangerous diseases which steal slowly and imperceptibly on the constitution, and do not discover their malignant symptoms until they have fastened on the vitals and vitiated the whole animal economy. The industry and economy of individuals, and nothing else, can effectually countervail the profusion and waste occasioned by a war. And to make these virtues be practised, every man should be made fully aware of the influence of war expenditure over his own private fortune, or means of subsistence. The radical defect of the borrowing system consists in its deceiving the public on this point, and in its making no sudden encroachments on their comforts. Its approaches are gradual and almost unperceived. It requires only small immediate sacrifices. But it has *nulla vestigia retrorsum*. It never relinquishes what it has once gained; while the necessity for fresh sacrifices, arising from their own ambition, injustice, and folly, as well as from those of their neighbours, continues as great as ever. Such a system is essentially delusive and treacherous. It occasions the imposition of tax after tax, hardly one of which is ever again repealed; so that before the public are awakened from their trance, and made aware of their actual condition, their property and industry are probably encumbered with a much larger permanent payment on account of the interest of the public debt than would have been required, had they submitted to it at once, to defray the expenses of the war.

It may perhaps be said, that supposing we are engaged in a war which costs twenty millions a year, it is really the same thing, provided the rate of interest be five per cent., whether we pay the twenty millions at once, by a proportional increase of taxation, or borrow them, and pay the lenders an inter-

minable annuity of one million a year; for when interest is at five per cent., twenty millions in one payment, and an interminable annuity of one million, are of the same value. But it is precisely because these two modes of defraying war-expenditure never have been, and never will be, considered equally expensive by the public, that the funding system is most injurious. Suppose, for example, that the supplies are raised within the year, and that the share falling to an individual is 100*l.* The wish to maintain himself in his former station, and to preserve his fortune unimpaired, would stimulate him, on being called upon for this sum, to discharge it, partly by increased exertion, and partly by a saving of expenditure, without suffering it to continue to encumber his property. But by the system of loans, he is called upon to pay only the interest of this 100*l.*, or 5*l.* a year; and instead of endeavouring to save the whole 100*l.*, he is satisfied if he save the interest. The nation, acting in the same way, save only the interest of the loan, or *one* million, and allow the principal sum of *twenty* millions, which they would have either wholly or partly saved, had they been called upon to pay it at once, to remain as a mortgage on their property and industry. Men act thus, because they invariably reckon a war burdensome in proportion only to what they are at the moment called upon to pay for it in taxes, without reflecting on the probable duration of these taxes. It would be a hopeless undertaking to attempt to convince most persons that a perpetual payment of 5*l.* a year is as burdensome as a single payment of 100*l.* We entertain a vague idea that some future accident or revolution may occur to relieve our properties from the perpetual payment; and at all events, we look upon it as certain that the greater portion of it will have to be defrayed by posterity. Indeed, this very circumstance of its throwing a portion of the expense of every contest on posterity, is one of the recommendations of the funding system which is principally relied on by its advocates. But it is easy to see that it is in great part illusory; and that the more the interests of posterity are protected, provided those of the present generation be not injured, the better. The plan for

raising the supplies within the year would be advantageous to all parties, by generating an additional spirit of industry and economy. And though it had no such influence, its adoption could do no possible harm, either to the present or the future generation. It is obviously indifferent to an individual, whose share of the expenses of a war amounts to 100*l.*, whether he pay it at once, and leave his heir 100*l.* less, or do not pay it, and leave him 100*l.* more, subject to a constant charge of 5*l.* a year. While, however, it entails no greater burden on individuals than the system of borrowing, and gives full liberty to every one who is so disposed, to remove a part of that burden from his own shoulders to those of his successors, the plan for raising the supplies within the year makes the public less inclined to avail themselves of this power, and more disposed to make immediate sacrifices. It is an error to suppose that it protects the interests of posterity, by laying any heavier burden on the existing generation. It protects them by giving additional force to the accumulating principle, and by stimulating individuals to maintain themselves, despite the increase of taxation, in their former position, and to preserve their capital and income undiminished.

Here then is a distinguishing criterion of the two systems. The funding system occasions only such an additional degree of exertion and economy as may be required to produce and save the interest of the capital that has been borrowed; whereas the system of raising the supplies within the year gives much greater force and activity to this principle, and makes the public endeavour to produce and save a sum equivalent, not to the interest only, but to the principal of the loan. If, therefore, the question, with regard to the merits of the two systems, were to be decided by a comparison of their respective influence over national wealth,—and this is admitted by Gentz, the ablest defender of the funding system, to be *la première considération, et celle qui doit toujours l'emporter sur toutes les autres*,* —there can be no manner of doubt that the

* Essai sur l'Administration des Finances, &c., p. 111. ed. 1800.

preference would have to be given to the plan for raising the supplies within the year.

Not only, however, would this plan be a means of stimulating individuals to defray their share of the public expenditure, by increased exertion and economy, but it would also, by making them feel the full pressure of the burdens it occasions, render them less disposed wantonly to engage in expensive contests, and more inclined to embrace the earliest opportunity of making peace on fair and reasonable terms. It would teach governments and their subjects to be more economical, and to conduct public affairs in the least expensive way. To a nation that defrayed all, or the greater part of the extraordinary expenses of war by a corresponding increase of taxation, peace might be truly said to bring "healing under her wings." As soon as the period of extraordinary exertion had ceased, the taxes which had been imposed to defray its expense would also cease. Prices would fall back to their natural level. And industry, relieved from the burdens of the war, and improved by the stimulus they would most likely have given to invention, would spring forwards with fresh energy. Had we always acted on this system, our taxes would not at this moment have exceeded some ten or twelve millions a year. And it is reasonable to suppose, had such been the case, that profits, and perhaps wages, would have been considerably greater; and that we should have been more powerful and more able to repel and avenge any attacks on ourselves, as well as to interpose with better effect in defence of our allies.

But how conclusive soever these statements and reasonings may appear, it is still true that the plan for raising the supplies within the year is open to some very weighty objections, and that its superiority to the funding system is not by any means so decided as we might be at first disposed to conclude. Among other objections to this plan it has been said, that it would be extremely oppressive on landlords and manufacturers, who are not generally possessed of large sums of ready money, to force them to make an immediate contribu-

tion of their entire share of the expenses of a war. Suppose, for example, that a manufacturer's share of the expenses of a war amounts to 1000*l.*, and suppose further, that he can neither save this sum from his expenditure, nor withdraw it without great loss from his business; the advantage of the funding system consists, we are told, in relieving him from the necessity of making this payment, and in enabling him to carry on his business as before, subject only to a deduction of 50*l.* a year, which he can easily spare from his profits. But a little consideration will serve to show that this advantage, though considerable, has been a good deal overrated. If it be asked, how does the practice of funding relieve the manufacturer from the necessity of paying down 1000*l.*? the answer is, by government or its agents going into the money-market and borrowing 1000*l.* on his account, with the interest of which he is charged. And, such being the case, the presumption seems to be that, had this practice not prevailed, the manufacturer would have done that directly which he has done by deputy, that he would have gone into the market himself and borrowed the same sum. "That there are persons disposed to lend to individuals," says Mr. Ricardo, who has laid great stress on this argument, "is certain from the facility with which government raises its loans. Withdraw this great borrower from the market, and private borrowers will be readily accommodated. By wise regulations and good laws the greatest facilities might be afforded to individuals in such transactions. In the case of a loan A advances the money, and B pays the interest, and everything else remains as before. In the case of war-taxes, A would still advance the money, and B pay the interest, only with this difference, he would pay it directly to A; now he pays it to government, and government pays it to A."

We cannot, however, help thinking that Mr. Ricardo has, in this instance, pushed an argument which is true within certain limits, to an extent that will not hold. When government goes into the money-market and contracts for a loan, it borrows, no doubt, for those who would otherwise have to borrow for themselves; but it does not negotiate a separate

loan on account of each individual; it borrows for them in a mass, and pledges the national credit in security for the entire loan. By this means the loans for behoof of those whose security is comparatively indifferent, are obtained on the best terms, and the total payment for interest is considerably less than it would have been had a series of loans been contracted by private parties. In this respect, therefore, the system of funding is preferable to the plan for raising the supplies within the year.

Undoubtedly, however, the grand argument against the latter plan, and in favour of funding, is to be found in its obviating the necessity of making any sudden and oppressive addition to the weight of taxation. It is impossible to say, *a priori*, in how great a degree taxes may be augmented, provided due care be taken in their selection and assessment, without operating injuriously. But countries may be, and frequently are, so situated that any immediate and considerable increase of taxation might produce a dangerous revulsion, and give such a shock to industry as could not easily be repaired. To fit a country for bearing a large amount of taxes, they should, if possible, be gradually and slowly increased. We have already endeavoured to show that a moderate increase of taxation infuses a greater spirit of economy into the people, and becomes a spur to industry and invention. But a sudden and oppressive increase of taxation might have an opposite effect and, instead of producing an increase of invention and economy, might occasion the decline of both. It is obvious, therefore, that the policy of raising the supplies for a war by means of loans, or by an equivalent increase of taxation, cannot be decided on general principles, but depends on the peculiar circumstances of the country at the time. Whenever there is no risk of prejudicing industry, by making an equivalent increase of taxation, it would seem, for the reasons already stated, that the preference should be given to the plan for raising the supplies within the year. And though a loan should be required to obviate too great an increase of taxation, still the inconveniences attending the accumulation of debt are so very great, that every practicable effort should be made to

raise taxation to the highest limit to which it may be safely carried, and to make it defray a considerable part, at least, if not the whole, of the extraordinary expenditure. If the expenses of a war were distributed among individuals according to their means, it is abundantly certain, for the reasons already stated, that the wish to relieve themselves of such private and peculiar debts would be a far more powerful motive to additional exertion and economy than the wish to relieve themselves of the interest of loans. The real effect of increased public expenditure on private parties would then be obvious; the deception caused by loans would be avoided; and every one would have a plain and distinct motive to exert himself to get rid of *his share* of the public expense. But by resorting to the plan of funding, the property and industry of all classes are mortgaged and incumbered, at the same time that individuals, looking only at the debt *en masse*, and ignorant of the magnitude of the portions peculiar to themselves, never once dream of their payment, or, if ever, only whether it may be effected, without any sacrifice on their part, by the delusive agency of sham sinking-funds.

The fact that two such able and ingenious inquirers as Hume and Smith should have entertained the strongest apprehensions of the mischievous influence of the public debt when it was hardly a tenth part of what it now amounts to, and that notwithstanding its vast increase in the interval the wealth and population of the country should have increased still more rapidly—has naturally enough generated a disposition to look with distrust on all such sinister auguries. It does not, however, appear that Hume and Smith formed any false estimate of the influence of a large public debt, but only th t they did not lay sufficient stress on the circumstances by which that influence might be (and by which, in the case of England, it has been) countervailed. None of them made sufficient allowance for the possible effects of new inventions, and improved methods of production, in enabling a country to support without difficulty additional taxes; and none of

them, though in this respect Hume was the clearer-sighted of the two, was sufficiently alive to the powerful influence which an increase of taxation has in adding new strength to enterprise and economy. The stupendous inventions and discoveries of Watt, Arkwright, Crompton, Wedgwood, and others, have hitherto falsified all the predictions of those who anticipated national ruin and bankruptcy from the increase of the public debt. But these inventions and discoveries might never have been made but for the spur given to the public energies by the increase of taxation that grew out of the funding system. And though they had been made, there is no reason to suppose that they would have been so rapidly introduced, or that they would have been so much perfected and improved in so short a period in the absence of this stimulus. It is impossible, perhaps, in estimating the progress of Great Britain since 1760, to say how much is to be ascribed to the desire of rising in the world, and how much to the fear of being thrown down to a lower station by the increase of taxes. But it would not, perhaps, be difficult to show that the latter has had the greater influence of the two.

But despite the powerful countervailing influences now alluded to, there can, we apprehend, be little doubt that we have carried the practice of funding to a vicious excess; and that a much larger portion of the sums required to carry on the American war and the first half of the late French war might and should have been raised by taxation. Probably, indeed, the facility of defraying any extraordinary expense by means of funding, and the temptations which it consequently holds out to ministers to resort to it rather than encounter the clamour that would be occasioned by the imposition of any considerable amount of taxes, is the greatest drawback on the practice. It is, in truth, almost sure to be abused. "It would scarcely," says Hume, "be more imprudent to give a prodigal son a credit in every banking shop in London, than to empower a statesman to draw bills in this manner upon posterity."*

* Essay on Public Credit.

The history of most modern nations confirms the truth of this statement. The funding system has been almost universally adopted, to be as universally abused. How serviceable soever at first, it has been rendered, in no very lengthened period, generally injurious. It was carried to a great extent in Holland; and we have already seen that it is to it, or rather to the excessive taxation in time of peace which it occasioned, that the low rate of profit in that republic, and the decline of her fisheries, manufactures, and commerce, are mainly to be ascribed. "Nous avons remarqué que l'accroissement successif des impôts, et la nécessité de faire des emprunts, ont concouru, plus que toute autre cause, à faire décroître le commerce de la Hollande. C'est là une suite inévitable surtout des emprunts, parce qu'une paix ne mortifie pas les dettes de l'état. Tous les avantages d'une guerre heureuse ne bonifient pas les désavantages que l'état en souffre. Les peuples sont moins heureux, et l'état s'est affoibli. C'est toujours là le résultat inévitable de l'usage des emprunts. C'est là peut-être l'un des fléaux de la guerre moderne, qui répand le plus des calamités, en ce qu'il affecte tous les peuples dans un détail infini et à plusienrs générations. La politique qui dès nos jours a trouvé l'art de soutenir la guerre par l'usage du crédit, ne pourroit produire un art plus funeste à l'humanité." *

The funding system was introduced into France by Louis XIV., at the suggestion of Louvois, in opposition to the opinion of Colbert.† It was, as might have been anticipated

* La Richesse de la Hollande, tom. ii. p. 201. ed. in 4to.: Amst. 1778.

† We extract the following account of the way in which Colbert's efforts were defeated, from a Memoir on the State of the French Finances, presented to the Duke of Orleans, Regent of France, in 1717: —

"M. de Louvois," says the author of the Memoir, "comme tout le monde le sçait, n'étoit pas faché de voir la guerre. Au commencement de celle qui fut entreprise en 1672, il fallut des secours extraordinaires.

"M. Colbert fit quelques traités des nouvelles impositions et des augmentations des droits; ce qui excita des plaintes dans le public, et des représentations même de la part des magistrats.

"M. de Louvois, instruit de ces difficultés, alla trouver un des premiers magistrats, le Premier Président du Parlement de Paris, homme d'un

from the irresponsible nature of the government, so shamefully abused, that it produced, as early as 1715, a public bankruptcy. But this catastrophe, though productive of a vast amount of suffering, was very soon forgotten. Promises, protestations, the allurement of high interest, and the overweening confidence of individuals, having made fresh loans negotiable, a second bankruptcy took place in 1769. And even this was not enough to open the eyes of the authorities to the necessity of a radical reform of the financial system of the country. The disgraceful abuses in the assessment and collection of taxes, and in the public expenditure, instead of being suppressed, were permitted to gather new strength, to scatter their seeds and spread their roots on all sides. The baffled attempts at reform by Turgot, and the writings of Necker, served only to disclose the hopelessness and the immensity of the evil. And the deficiencies of the revenue during the American war having again forced recourse to loans, the bankruptcy and revolution of 1789 followed almost as a matter of course.

The circumstances which lead, even in constitutional and well-governed states, to the contraction of public debts, the ruinous consequences of their too great accumulation, and the

mérite distingué et d'une probité reconnue. Il lui dit qu'il rendroit un serviee essentiel au Roi, en lui remontrant qu'au lieu de ses traités (exeises) extraordinaires que le parlement se faisoit tant de peine d'enrégistrer, et qui étoient si insupportables au peuple, il étoit bien plus simple et plus aisé de eréer des rentes; qu'un million de rentes erées produroit tout d'un eoup vingt millions, et que ee seroit un petit objet par rapport aux revenus eonsidérables dont jouissoit sa Majesté. Ce magistrat suivit de bonne foi l'avis qui lui était donné. Le Roi ravi de eet expédient, qui lui venoit d'un homme si approuvé, dit à M. Colbert qu'il n'y avoit qu'à eréer des rentes. M. Colbert, qui en prévoyoit les suites et les inconvéniens, voulut avant que de rendre l'Edit, se donner la satisfaetion de parler au premier Président. Il lui fit sentir les eonséquenees du conseil qu'il avoit donné à bonne intention, et lui dit qu'il repondroit devant Dieu du préjudiee qu'il causoit à l'état, et du mal qu'il faisoit au peuple." — (Forbonnais, "*Recherches sur les Finances de la France*," tom. vi. p. 117.; see also Clement, "*Histoire de la Vie et de l'Administration de Colbert*," p. 345.)

importance and difficulty of making any adequate provision for their discharge, were set in a clear light in a Report by the Secretary of the Treasury of the United States in 1796. We subjoin an extract from this valuable paper.

" There is no sentiment that can better deserve the serious attention of the legislature of a country, than the one expressed in the speech of the President (Washington); which indicates the danger to every government from the progressive accumulation of debt. A tendency to it is, perhaps, the natural disease of all governments; and it is not easy to conceive anything more likely than this to lead to great and convulsive revolutions of empires. On the one hand, the exigencies of a nation creating new causes of expenditure, as well from its own, as from the ambition, rapacity, injustice, intemperance, and folly of other nations, proceed in increasing and rapid succession. On the other, there is a general propensity in those who administer the affairs of government, founded in the constitution of man, to shift off the burden from the present to a future day, a propensity which may be expected to be strong in proportion as the form of the state is popular.

" To extinguish a debt which exists, and to avoid contracting more, are ideas almost always favoured by public feeling and opinion; but to pay taxes for the one or other purpose, which is the only means to avoid the evil, is always more or less unpopular. These contradictions are in human nature; and the lot of a country would be enviable indeed in which there were not always men ready to turn them to the account of their own popularity, or to some other sinister purpose. Hence it is no uncommon spectacle to see the same men, clamouring for occasions of expense, when they happen to be in unison with the present humour of the community, well or ill directed, declaiming against a public debt, and for the reduction of it as an abstract thesis, yet vehement against every plan of taxation which is proposed to discharge old debts, or to avoid new, by defraying the expenses of exigencies as they emerge.

" These unhandsome acts throw artificial embarrassments in

the way of the administrators of governments; and co-operating with the desire, which they themselves are too apt to feel, to conciliate public favour by declining to impose necessary burdens, or with the fear of losing it by imposing them with firmness, serve to promote the accumulation of debt, by leaving that which at any time exists without adequate provision for its reimbursement, and by preventing the levy of new taxes when new occasions of expense occur. The consequence is, that the public debt swells till its magnitude becomes enormous, and the burdens of the people gradually increase till their weight becomes intolerable. Of such a state of things, great disorder in the whole political economy, convulsions and revolutions of governments, are the natural offspring.

"There can be no more sacred obligation, then, on the public agents of a nation than to guard with provident foresight and inflexible perseverance against so mischievous a result. True patriotism and genuine policy cannot, it is respectfully observed, be better demonstrated by those of the United States at the present juncture than by improving efficiently the very favourable situation in which they stand for extinguishing, with reasonable celerity, the actual debt of the country, and for laying the foundations of a system which may shield posterity from the consequences of the usual improvidence and selfishness of its ancestors, and which, if possible, may give immortality to public credit."

But, despite the dangerous nature of the borrowing system, and its all but irresistible temptations to abuse, it is frequently an invaluable resource. It is doubtful whether the independence of the United States could have been effected without its assistance. And it is but fair to the Americans to state that they have practically carried out the principles laid down in the above extract. The debt due by the United States in 1793 amounted to about 80,000,000 doll.; and notwithstanding a loan of 15,000,000 doll. to pay France for Louisiana, the debt had been reduced in January, 1812, to about 45,000,000 doll. Large additions were made to it by the unfortunate war which then broke out with this

country, so that, in 1816, it exceeded 127,000,000 doll. But such were the measures that were then taken for its reduction, and so vigorously were they followed up, that in 1835 it was entirely paid off; being, perhaps, the only instance of a national debt having been extinguished by a *bonâ fide* payment of the principal borrowed, without composition or reduction of any kind.*

The hostilities in which the States have since been involved with Mexico, and the sums they have had to pay on that account, have again led to the contraction of a debt, which amounted in 1850 to about 65,000,000 doll. Compared with the revenue and resources of the Union, this is nothing. But whether it will be extinguished like the former, or go on increasing like the debts of most other countries, depends on the Americans bearing in mind, or on their forgetting, the principles of moderation, justice, and good faith inculcated by the illustrious founder of the republic.

We have already seen that if a country engaged in war be so situated that the imposition of the taxes required to carry it on would give any serious shock to industry, loans should be negotiated, if not for the whole, at least for a portion of the extraordinary expense. Political considerations may also make recourse to loans indispensable. An increase of taxation is always unpopular. And a weak or insecure government might be unable to levy any considerable additional amount of taxes, however able the country might be to bear such increase. The rise of the funding system in Great Britain was mainly ascribable to circumstances of the kind now mentioned.

With the exception of the trifling sum of 664,000*l.*, the National Debt has been wholly contracted since the Revolution, when the unsettled state of the government, and the difficulty of imposing new taxes, compelled recourse to be had to loans. Lord Bolingbroke, Dean Swift, and other writers

* See statement in Appendix.

of their party, have, indeed, alleged that the practice of funding was adopted, not because it was the best, or rather the only, way of raising money at the æra in question, but in order to procure the support of the monied interest to the new government. And some Jacobite writers have even gone so far as to insinuate that William III. purposely involved us in debt and difficulties, that the Hollanders might have the better chance of surpassing us in manufactures and commerce!* It would be useless to waste the reader's time by any lengthened exposure of the falsehood of these imputations on the memory of our great deliverer. Every one in any degree acquainted with the state of Britain at the Revolution must be aware that funding was the only means of raising supplies to which government could then resort; and that we are in a very high degree indebted to the aid which it afforded to the revolutionary leaders for the establishment of our free institutions, and, consequently, for the wealth and greatness to which we have since attained. Louis XIV., then in the zenith of his power, espoused the cause of the exiled family of Stuart, and exerted himself to replace them on the throne. It would not, under any circumstances, have been an easy task to make head against a monarch who was master of the greatest and best disciplined armies, and of the ablest generals and engineers, which had then appeared in modern Europe. But the danger from without, though great and imminent, was inferior to the danger from within. James II. was master of almost all Ireland; and in Great Britain a numerous and powerful party was favourable to his pretensions. Such being the state of affairs, it would have been madness to have attempted, by imposing new taxes, to raise the sums required to defray the cost of the war it was necessary to wage for our independence and liberties. Had any such attempt been made, it would have given the Jacobites the means of traducing the new government, of inflaming popular discontents, and most probably of overturning the revolutionary establishment. The land-tax was the only

* History of the National Debts and Taxes, part i. p. 7.

considerable addition made to the revenue during the reign of William III. And a considerable part of its produce was required to make up the deficiency caused by the loss of the hearth-duty, which government had been obliged to abolish, and by the falling off in the duties of tonnage and poundage. It is clear, therefore, that the circumstances under which they were placed, the *res dura et regni novitas*, fully justified the revolutionary leaders in resorting to loans. Their doing so was not, in truth, a matter of choice, but of necessity. It is visionary to suppose that they could have raised a revenue equal to the exigency of the crisis in any other way. No doubt, on account of the supposed instability of the government, the terms on which loans were contracted during the reigns of William III., Anne, and George I., were most unfavourable. This, however, was but a trifling consideration, compared with the interests they were indispensable to secure. It was through their aid that our liberties were firmly established; the ambitious projects of Louis XIV. effectually crushed; and the political ascendancy of Great Britain placed on a solid foundation.

But, however necessary to a weak and precarious government, funding should never, for the reasons already stated, be made the principal support of a well-established government in a country capable of bearing a larger amount of taxation. And hence the practice should either have been wholly abandoned at the accession of George II., or confined within comparatively narrow limits. Although, however, its insidious nature and dangerous tendency were very soon exposed by various members in the House of Commons, and by Hume and other able writers out of doors, the facilities which it afforded to successive administrations of meeting extraordinary expenses without imposing equivalent taxes, secured its ascendancy. Had ministers attended to the dictates of sound policy, they would have acted differently, and imposed, despite the clamours of the ignorant, such additional taxes as might have sufficed to defray a far more considerable portion of our outlays. But a Washington at the head of affairs is a rare phenomenon. It is found in the business of nations as

in that of individuals, and perhaps to a still greater extent in the former than in the latter, that the desire to secure some immediate though inconsiderable advantage is permitted to overbalance a very large amount of prospective inconvenience. The wish to conciliate public favour, to withhold from their opponents so fertile a topic of declamation and invective, as a sudden and considerable increase of taxation is always sure to afford, and in part also the real difficulty of carrying such a measure, tempted the ministers of George II. and George III. to persevere in the system of funding. And, in consequence, we are now subject to a much greater permanent burden, on account of the interest of the debt, than would suffice to defray the cost of the most expensive war.

These observations will, perhaps, be enough to enable a sufficiently fair estimate to be formed of the peculiar advantages and disadvantages of the plans we have been considering. The grand defects of the funding system consist in its making the loss occasioned by war-expenditure seem less than it really is, which prevents an adequate stimulus being given to industry and economy, and in its tempting, from the facility which it affords of raising supplies, governments and nations to embark in rash and perilous enterprises. The plan for raising the supplies within the year, by a corresponding increase of taxation, is free from these defects. The considerable increase of taxation which it occasions, goes far to preclude the chance of its being incurred, except on just and solid grounds; while by making every one directly furnish his share of the public outgoings, and apportioning what would otherwise be a national burden, which no one would feel any particular interest in discharging, among individuals, it infuses a more powerful spirit of industry and economy into all classes. On the other hand, however, the system of funding gives no sudden shock to industry. It habituates the public to bear their burdens; and by not calling upon them to do a great deal at once, it, perhaps, enables them to do more in the end. Here, therefore, the advantage is on the side of the funding system. But if the situation of a

country be such that taxes may, without occasioning any very great inconvenience, be imposed to meet any extraordinary expense, and if its government be powerful enough to impose such taxes, the last-mentioned advantage does not appear to be so very considerable as to countervail the many disadvantages incident to the practice of funding, and the contraction of a large public debt. We should not wish to speak with undue confidence on such a point; but there does not seem to be much doubt that an income-tax of 10 per cent. might have been levied during the American war. And notwithstanding its inequality, and the serious inconveniences by which it is attended, it may be doubted whether, had an income-tax of that amount been imposed in 1793, it would have been so injurious as the great additions that were then made to the customs and excise duties; while, by providing a large additional revenue, it would have obviated the necessity of funding largely, and on the most disadvantageous terms, at the commencement of the war.

The following table (p. 434.) exhibits the progress of the National Debt from the Revolution downwards:—

This table would afford ample materials for a lengthened commentary. The rapid progress of the debt during periods of war compared with the little progress made in paying it off during periods of peace, cannot fail to strike every one. And it is further to be observed that the reductions made in the principal of the debt have been chiefly effected through the very questionable practice of converting stock into life annuities; and that the reductions in the annual charge on account of the debt have been principally effected through the fall in the rate of interest since the peace having enabled government to offer to pay off certain classes of stockholders in the event of their not agreeing to a diminution of their claims. Had it not been for the extremely objectionable plan on which the greater portion of the debt has been funded, this resource would have been much more available. But notwithstanding its limited operation, it is to it, and not to the influence of sinking funds, or to the employment of surplus revenue to pay off debt, that we are principally indebted for

Account of the Principal (Funded and Unfunded), and Annual Charge of the Public Debt of the United Kingdom, at different Periods, from the Revolution downwards: * —

	Principal, Funded and Unfunded.	Interest and Management.
	£	£
Debt at the Revolution in 1689 - -	664,263	39,855
Excess of Debt contracted during the reign of William III. above Debt paid off - - - - -	15,730,439	1,271,087
Debt at the accession of Queen Anne in 1702 - - - - - -	16,394,702	1,310,942
Debt contracted during the reign of Anne	37,750,661	2,040,416
Debt at the accession of George I. in 1714	54,145,363	3,351,358
Debt paid off during the reign of George I. above Debt contracted - -	2,053,125	1,133,807
Debt at the accession of George II. in 1727	52,092,238	2,217,551
Debt contracted between the accession of George II. and the Peace of Paris in 1763, three years after the accession of George III., above Debt paid off -	86,773,192	2,634,500
Debt in 1763 - - - -	138,865,430	4,852,051
Debt paid off from 1763 to 1775 -	10,281,795	380,480
Debt at commencement of the American war in 1775 - - - -	128,583,635	4,471,571
Debt contracted during the American war	121,267,993	5,395,794
Debt after conclusion of the American war in 1786 - - - - -	249,851,628	9,867,365
Paid during peace from 1786 to 1793 -	5,411,322	243,277
Debt at commencement of French war in 1793 - - - - - -	244,440,306	9,624,088
Debt contracted during French war -	603,842,171	22,829,696
Debt at the Consolidation of the English and Irish Exchequers at the commencement of 1817 - - - -	848,282,477	32,453,784
Debt cancelled from 1817 to 5th January, 1851 - - - - - -	61,253,317	4,556,894
Debt on 5th January, 1851, and charge thereon during preceding year -	787,029,160	27,896,894

* This Table has been principally compiled from Dr. Hamilton's work on the National Debt (3rd edit. p. 101), and from the Annual Finance Accounts. It may, perhaps, not be in all respects quite accurate; but we feel pretty confident that its errors are immaterial, and not such as sensibly to affect any inference that may be drawn from it.

the reductions which have been made in the amount of our engagements.

Seeing the vast magnitude of our present incumbrances, our readers will hardly suppose how small an immediate sacrifice would have sufficed to avert them. The capital of the debt has been swelled out beyond all reasonable bounds by the vicious practice of funding a larger amount of capital stock than the sums borrowed, and there have, also, been large deductions from the loans for prompt payment and bonuses of various descriptions. The funding system was probably more abused during the American war than in any other period of our history; but to show its operation it is not necessary to go further back than the late French war, which about trebled the debt. In showing how the expenses of that contest were, and how they might have been provided for, we shall not lay any stress on any doubtful or irritating topic. It is probably true that there was a good deal of extravagance and waste on our part in the way in which the struggle was carried on, at least during its earlier portion. But it is immaterial to our object whether such were or were not the case. And taking it for granted that the war was just and necessary, and that there was no useless expenditure in carrying it on, we have to inquire how much it would have cost had the expenditure been defrayed by a corresponding increase of taxation, and how much it has cost by the adoption of the borrowing system.

At the commencement of the war, in 1793, the charge on account of the funded and unfunded debt amounted to 9,624,088*l.*, which would have been gradually, though slowly, reduced by the falling in of annuities, &c. Now, it is obvious, that if we add to the charge on account of the public debt as it stood at the commencement of the war the charges on account of the government of the country and of the war, we shall have the whole sum which, had it been raised within the year, would have defrayed the entire charge against the public without resorting to loans. And by comparing this sum with the revenue actually received, we shall get the

deficiency which, not being provided for by taxes, was provided for by loans. The following table (p. 437.) exhibits the results of these statements and comparisons.

The results of this table will probably be thought not a little curious. It shows that the total expenditure of the country on account of internal government, colonies, the war, and the debt contracted previously to 1793, from 1793 to 1816, both inclusive, was only 151,327,007*l.* greater than the revenue actually derived from taxes during that period. It further appears that this deficit principally took place during the first ten years of the war; and that, but for the interest of the debt contracted to meet this deficit, the revenue in several of the latter years of the war would have considerably exceeded the expenditure. It is difficult to say what proportion of the expenditure of the first period might have been provided for by an increase of taxation, had a vigorous effort been made with that object. But, though we are inclined to dissent from those who think that it might have been wholly provided for in this way, there are not, we apprehend, any good reasons for doubting that the revenue raised by taxation might have been very materially increased. And had only half the deficiency been made good by additional taxes, it would, by proportionally diminishing the amount of the loans, and enabling them to be negotiated on preferable terms, have been of singular advantage; and would, by lessening the necessity for further loans, have reduced the debt contracted during the war to less than half its actual amount.

We should, however, convey a false impression to our readers, if we led them to suppose that all the immense sums that were borrowed during the war, exclusive of the above sum of 151,327,007*l.*, were absolutely lost or wasted. Though the funding system encourages waste and profusion, it is not so bad as this. By not making the public provide the 4,536,943*l.* of deficient revenue in 1793, the 9,131,652*l.* deficient in 1794, &c., these sums were left in their hands to be employed as capital in producing additional wealth. And if we suppose they could have lived without these sums, we

TABLE showing the Total Charge on Account of the Unredeemed Public Debt due January 5, 1793, in that and every subsequent Year to the 5th of January, 1817; the Total Charges of the State exclusive of the Debt; the Total Charges of the State inclusive of the Debt contracted previously to 1793; the Amount of the Nett Revenue received by the Treasury in each Year from 1793 to 1816, both inclusive; and the Excess of Expenditure over Revenue, and of Revenue over Expenditure.*

Years ending 5th Jan.	1. Charge on Funded and Unfunded Debt, as it stood Jan. 5, 1793, and as it would have stood in the following Years, had no Additions been afterwards made to it.			2. Total Charge on Account of War Expenditure, Internal Government, Colonies, &c.			3. Totals of No. 1 and 2, or Charge, as it would have been, had the Supplies been raised within the Year.			4. Total nett Revenue (exclusive of Loans) received by the Treasury.			5. Excess of Expenditure over Revenue.			6. Excess of Revenue over Expenditure.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1793 -	9,624,088	8	5½	7,670,108	5	2	17,294,196	13	7½	19,258,814	6	4¼	-	-		1,964,617	12	9
1794 -	9,623,441	5	8¾	14,759,206	15	11½	24,382,648	1	8¼	19,845,705	10	4	4,536,942	11	4¼			
1795 -	9,622,237	8	2	19,702,489	2	11½	29,324,726	11	1½	20,193,074	4	6½	9,131,652	6	7			
1796 -	9,620,466	3	1	34,300,764	17	4	43,921,231	0	5	19,883,520	13	0¾	24,037,710	7	4¼			
1797 -	9,618,550	15	0	45,814,275	8	11¾	55,432,826	3	11¾	21,454,728	4	5¼	33,978,097	19	6½			
1798 -	9,614,818	10	11½	36,202,873	13	11½	45,817,692	4	11	23,126,940	7	1	22,690,751	17	10			
1799 -	9,613,055	15	4½	33,279,071	18	5¾	42,892,127	13	10½	31,035,363	2	4¾	11,856,764	11	6			
1800 -	9,611,668	10	8¾	38,166,697	19	7½	47,778,366	10	4½	35,602,444	8	11¼	12,175,922	1	5¼			
1801 -	9,609,884	13	5	39,074,449	13	11½	48,684,334	7	4½	34,145,584	4	1	14,538,750	3	3½			
1802 -	9,607,659	0	8	40,690,486	9	6¾	50,298,145	10	2⅝	34,113,146	18	4¾	16,184,998	11	10			
1803 -	9,606,509	16	8	29,610,471	2	3¼	39,216,980	18	11½	36,368,149	14	5	2,848,831	4	6¼			
1804 -	9,581,270	13	1⅝	28,289,364	9	0¾	37,870,635	2	2	38,609,392	8	6	-	-		738,757	6	4
1805 -	9,580,272	3	1¾	37,876,084	9	4¾	47,456,356	12	6	46,176,492	19	8	1,279,863	12	10			
1806 -	9,548,920	6	3½	44,765,873	0	10¾	54,311,793	7	2	50,897,706	5	10½	3,417,087	1	3¾			
1807 -	9,538,508	1	7¼	45,485,499	7	0	55,024,007	8	7¼	55,796,086	8	2	-	-		772,078	19	6⅝
1808 -	9,524,724	1	5½	43,970,956	9	8	53,495,680	11	1½	59,339,321	19	4¼	-	-		5,843,641	8	2⅝
1809 -	9,104,238	8	7	49,821,335	7	0	58,925,573	15	7	62,498,191	9	7⅝	-	-		3,572,617	14	6⅝
1810 -	9,103,379	7	3	52,274,730	5	0¾	61,378,109	12	3¼	63,719,400	18	11	-	-		2,341,291	6	7¾
1811 -	9,102,580	17	2¾	52,551,395	4	3½	61,653,976	1	6	67,144,542	18	4¼	-	-		5,490,566	16	10¼
1812 -	9,101,931	10	11¾	58,646,377	8	3½	67,748,308	19	2¾	65,173,545	12	8¾	2,574,763	6	6			
1813 -	9,101,399	7	7⅝	60,604,064	7	7½	69,705,463	15	3	65,037,850	1	7	4,667,613	13	8			
1814 -	9,100,154	8	1	77,406,919	8	6	86,507,073	16	7	68,748,363	6	3	17,758,710	10	4			
1815 -	9,098,917	16	4¼	76,227,766	18	10	85,326,684	15	2¼	71,134,503	2	2¾	14,192,181	12	11¾			
1816 -	9,098,046	6	10¾	60,559,275	15	11⅛	69,657,322	2	9¾	72,210,512	15	7¼	-	-		2,553,090	12	9½
1817 -	9,090,000	0	0	31,907,673	8	4	40,997,673	8	4	62,264,546	12	2⅝	-	-		21,266,873	3	10⅝
	235,446,723	16	8¾	1,059,658,211	8	1	1,295,101,935	4	9¾	1,143,777,928	13	0½	195,870,611	12	10⅛	44,543,635	1	1
										Deduct—Excess of Revenue			44,543,635	1	1			
										Excess of Expenditure over Revenue			151,327,006	11	9⅛			

* We inserted a similar Account in an article in the Edinburgh Review for October, 1823; but in that instance we were obliged to depend on statements which turned out to be, in many respects, erroneous, so that our conclusions were vitiated in a corresponding degree. But the above table may be safely depended upon: it was prepared (with the exception of the last year) from official sources for the Finance Committee, of which Sir Henry Parnell was chairman, and is given in his "Financial Reform." The line for the year ending 5th of January, 1817, has been added from the same sources, with the exception of the first item in it, which is an estimate only, but which cannot possibly involve any sensible error, none, in fact, that could affect, in any degree, the results deduced from it.

must, in fairly testing the operation of the system, also suppose that they accumulated them at compound interest during the whole period of the war; and compare their amount, when so accumulated, with the sums borrowed during the same period. But, for the same reasons on which it is supposed that the public saved the sums and their accumulations at compound interest, left in their hands by the operation of the funding system when the revenue was deficient, we must suppose that they lost the sums with their accumulations in those years in which, but for the funding system, the revenue would have exceeded the expenditure; so that the difference between these two sums when so accumulated will be the sum to be compared with the debt contracted. Now it appears that the balances of expenditure over income in column 5 of the previous table, when accumulated at 5 per cent. compound interest, amounted, on the 5th of January, 1817, to 435,881,999*l.*; while the balances of revenue over expenditure, in column 6, calculated in the same way, amounted at the same period to 57,930,485*l.*; and deducting the one of these sums from the other, we have 377,951,514*l.* for the amount of the capitals and their accumulations at compound interest which the adoption of the funding system left in the pockets of the public over what would have been taken from them, had the supplies been raised within the year by a corresponding increase of taxation.

It appears, however, from the subjoined statement (p. 457, deduced from the Parliamentary Paper No. 145, Sess. 1822), that in the interval between 1794 and 1816, both included, government borrowed in all 584,874,557*l.*, of which sum 188,522,350*l.* was transferred to the Commissioners of the Sinking Fund, leaving 396,352,207*l.* for the amount of the sums borrowed to defray the expenses of the late war, exclusive of an additional issue of 33,289,300*l.* of Exchequer Bills, making in all the sum of 429,641,507*l.*

But we have already seen that the entire amount of the sums which the adoption of the funding system left in the pockets of the public, over what would have been taken out of them, had the supplies been raised within the year, with

their accumulations at 5 per cent. compound interest, amounted to 377,951,514*l.*; and this sum being deducted from the above sum of 429,641,507*l.*, raised by funding and issuing Exchequer Bills, leaves a balance of 51,689,993*l.* for the nett amount of the direct surplus expenditure occasioned by funding over what would have been expended had the supplies been raised within the year! We are not aware that any good objection can be made to these statements. They are all deduced from official returns: the calculations have been carefully checked, and the principle on which they are bottomed is most favourable for the funding system. And yet they show (or rather demonstrate) that, exclusive of its other mischievous influences,—of the profusion and contempt of economy, which are its immediate, and the interminable and heavy taxes which are its ultimate results,—it occasioned during the late war, by means of premiums on loans and otherwise, a special sacrifice of about *fifty-two* millions sterling! This experience should not be thrown away. We have already stated that it is more than doubtful whether funding could have been dispensed with during the earlier part of the war. But, no doubt, the amount of revenue from 1792 to 1803 might have been most materially augmented by resorting to house and income taxes; and the statement now made shows the immense sacrifice the public has had to sustain in the end for the temporary convenience afforded by carrying funding to the extreme to which it was then carried.

It is certainly true, as will be immediately shown, that the inconveniences naturally incident to the system have been enormously aggravated by the vicious method in which the loans contracted during the American and late French wars were funded. But loans, though effected in the best possible mode, should always be regarded as an extraordinary, or rather as a *dernier ressort*. The heir of an entailed estate who makes the issue of post-obit bonds an habitual source of revenue, is not really more short-sighted and improvident than ministers who resort to loans to supply such portions of the public expenditure as may be defrayed by taxation.

It may, perhaps, be said that however large the amount of our debt, it has been sufficiently shown in the course of these inquiries, that the increase of the taxes imposed to defray the interest has operated as a powerful spur to industry and economy, and that the probability is that the capital of the country is not at this moment materially different from what it would have been had the American war and the late French war never occurred. But though such is, most probably, the case, the inconveniences attending the magnitude of the debt are notwithstanding of a very formidable description. It occasions the imposition of taxes on many desirable articles and even on income; and though it be true that our means of paying these taxes have proportionally increased, we are, for the most part, alive only to the sacrifice, and forget altogether the increased ability to bear it. We also, as already seen, contrast our taxes with those of other countries, and in the event of the latter being lower, individuals are tempted to become absentees; while the low rate of profit, which is in part, at least, a consequence of taxation, makes capital be employed in foreign investments. The circumstances which have latterly counteracted this tendency of capital to go abroad are of an accidental and evanescent description; and should they become less powerful, its efflux, in large quantities, will probably recommence. This is one of the greatest inconveniences attending the contraction of a large public debt, and the consequent taxation which it occasions. Indeed the fair presumption is, that if our manufacturing superiority be at any time seriously compromised by the competition of foreigners, they will be found to have been trained, and in great part supported, by English workmen and English capital. It will also most probably be found, should our taxes cease to be so productive as formerly, or should they not increase with the increasing wealth and population of the country, that it is not because the contributors cannot, but because they will not pay them; because they find on looking around that there are other countries open for their reception in which capital may be more advantageously employed, and to which, consequently, they may be tempted to emigrate.

And hence the importance of preventing, in as far as possible, the contraction of a large public debt, in the first instance, and of its substantial reduction should it be contracted.

CHAPTER II.

DIFFERENT METHODS OF FUNDING.

In the infancy of the funding system, loans were most commonly raised in anticipation of the produce of certain taxes imposed for a limited number of years; it being supposed that the produce of these taxes for the term for which they were granted would be sufficient to discharge the debt. But these expectations were rarely realised. And as the public necessities required the taxes to be mortgaged again for new loans, often before their former term was expired, they were prolonged from time to time, and were at last, in almost every instance, rendered perpetual.

The statutory rate of interest at the commencement of the funding system, was six per cent., the reduction to five per cent. not having taken place till 1714. But, owing to the supposed insecurity of the revolutionary establishment, the rate of interest paid on loans to the public, previously to the accession of George II., was generally much higher than the legal rate. In 1692, an attempt was made to borrow a million upon annuities for ninety-nine years, for which ten per cent. was to be given for eight years, and seven per cent. afterwards, with the benefit of survivorship during the lives of the nominees of those who contributed; but so low was the credit of Government at that period, that only 881,000*l.* could be procured even on these extravagant terms. None of the loans negotiated during the wars in the reign of William III. were effected at less than eight per cent.; and the interest was, in many instances, as in the one just men-

tioned, a good deal higher. The sums borrowed during the reign of Queen Anne were also obtained on very expensive terms.

Since the reign of Queen Anne, very little money has been borrowed either upon annuities for terms of years, or upon those for lives. The practice of granting perpetual annuities, or annuities redeemable only on payment of the principal, has long superseded every other. And notwithstanding the objections that have been urged against this practice, by Dr. Price and others, it appears to be the best hitherto proposed. To show the principle on which the objections to it are founded, let us suppose that an annuity is granted for a hundred years. This annuity, according to the principles on which such computations are founded, is nearly equivalent to an annuity for ever, its value at four per cent., being twenty-four and a half years' purchase, and, therefore, only half a year's purchase less than its value were it perpetual. Supposing, therefore, that the public were able to borrow at four per cent. on annuities for ever, it should not give above 1*s.* 7*d.* per cent. more for money borrowed on annuities terminable in a hundred years. But admitting that it might be obliged to give a quarter or even a half per cent. more, those who advocate this system contend, that the additional burdens which would thus be imposed would hardly be sensible; and that the privations caused by them would, in any view of the matter, be inconsiderable, compared with the advantages that would result from the necessary and gradual annihilation of the debt.

"By such a method of raising money," says Dr. Price, "the expense of one war would, in time, come to be always discharged before a new war commenced; and it would be impossible that a state should ever have upon it, at one time, the expense of many wars; or any larger debts than could be contracted within the limited period of the annuities; and consequently it would enjoy the invaluable privilege of being rendered, in some degree, independent of the management of its finances by unskilful or unfaithful servants." *

* Observations on Reversionary Payments, 7th ed. i. 275.

But several important considerations have been left out of view in this statement. In the first place, a considerably larger payment on account of interest would be required, were loans made on such annuities, than Dr. Price supposes. It is true that an annuity for 100 years is really worth nearly as much as a perpetuity, and should, therefore, one should think, form nearly as desirable a security to the lender. But the decisions of mankind, with respect to money matters, are but rarely governed by purely mathematical principles. The trustees of public bodies, and all those individuals who buy into the funds in order to make family settlements, the prospective clauses of which frequently refer to a distant futurity, would evidently feel disinclined to purchase into a fund whose value was continually diminishing; and such persons form a very large proportion of the holders of stock. And hence it is clear, that although the real value of an annuity for a long term of years may be about the same with that of a perpetual annuity, it will hardly ever find nearly the same number of purchasers. Even the subscribers to a new loan, who generally mean to sell their subscription as soon as possible, invariably prefer a perpetual annuity, redeemable by Parliament, to an irredeemable annuity for a long term of years, of about an equal amount. The value of the former being always the same, or very nearly the same, it makes a more convenient transferable stock than the latter.

But, in the second place, though it were true that terminable annuities were as readily negotiable at their *true* value as interminable ones, we should not, therefore, be disposed to recommend their adoption. No government should ever countenance any scheme of public finance, or indeed any institution of any sort, that has any tendency to weaken the providence and forethought of its subjects. And such, we apprehend, would be the effect of the adoption of any scheme of funding on terminable annuities, whether for a specified number of years, or for lives. The purchaser of an annuity terminating with his life, is, in almost every instance, desirous, not only of consuming the interest of his capital, but also the capital itself. The same principle most commonly influences,

though not, perhaps, to the same extent, the greater number of the purchasers of annuities terminable at specified and not very distant periods. And if the granting of such annuities were countenanced by Government, and they were established on a large scale, it seems natural to conclude that the odium which now attaches to such investments would be gradually weakened, and that numbers of individuals would be tempted by the immediate addition it would make to their incomes, to vest their capitals either in life annuities, or in annuities which they supposed would most likely terminate nearly at the same period as their lives. A practice of this sort is suitable only to persons of slender means, and with no near connections, and were it confined to them there would be nothing to object to in it. But if it should ever make any considerable progress among the bulk of the community, it would be productive of the worst consequences, both in a moral and economical point of view. A person whose income is derived from an annuity payable by the State, can in great measure dispense with that good opinion of his neighbours, which is so essential to individuals engaged in professional or industrious employments; and if he be the holder of an annuity for life, or for a term of years, and is anxious only to consume the whole of his fortune without caring about those who are to come after him, he ceases, in great measure, to feel any interest in the public welfare, and becomes wholly selfish in the literal and degrading sense of the term.

Few things, therefore, would, we conceive, be more injurious than the establishment of any system in the management of the finances of a great nation, that might possibly tend to generate and spread those purely selfish and unsocial passions, which lead individuals to consider their own interests as everything, and those of others as nothing. No doubt a considerable time would most probably elapse in a country where the feelings of society are so much opposed to this selfish system as in England, before any change of circumstances could enable it to obtain any very considerable footing. But, though insensible at first, its influence might ultimately become alike extensive and powerful. And if so great a stimulus were

given to it as would result from the conversion of any considerable part of the national debt into annuities terminable in periods of moderate duration, its introduction might be more rapid than it is perhaps very easy to imagine.

A large proportion of the present holders of funded property consists of individuals not engaged in business, who subsist either wholly or partly on the dividends, and leave the principal to their children or relations. But if the principal belonging to these persons were turned into a terminable annuity, it is plain that at its termination, they, or their heirs, would be left destitute, unless they had effected an insurance with some society, or accumulated, in some way or other, such a portion of their annuity as might suffice to yield a corresponding revenue when it terminated. But these are all operations that require an acquaintance with business, and a peculiar combination of circumstances, to enable them to be carried into effect; and it appears obvious that very many holders of funded property would, from thoughtlessness, want of opportunity, want of information, and a thousand other causes, either never think of the matter at all, or be induced indefinitely to postpone it. In this way the system would probably be introduced with greater rapidity than we might at first be led to suppose; and, as it obviously strikes at the very foundation of the principle of accumulation, and of all those habits which are most conducive to the interests of society, it should not certainly receive any countenance, whether direct or indirect, from Government.

For these reasons we incline to doubt the policy of the acts 48 Geo. III., 10 Geo. IV. cap. 24., and 3 & 4 Will. IV. cap. 14., which authorise the Commissioners of the National Debt to grant annuities for lives, or for terms of years, on receiving payment either in money or stock, according to rates specified in tables approved by the Treasury. At the outset government lost very large sums by this project, from their granting annuities on advanced lives at too low rates. This error has, however, been rectified, and the annuities are now sold at their fair value. On the 5th of January, 1851, the terminable annuities payable by government amounted to

3,808,862*l.*, being equivalent (according to Mr. Finlaison) to a perpetual annuity of 1,199,815*l.* Latterly the amount of terminable annuities has been declining, so that it may probably be presumed the system has attained its maximum. And though, speaking generally, the purchase of life annuities should be discouraged, there are a few cases in which they are a legitimate and advantageous resource; and should the system not make any greater way than it has done, it may not, in a practical point of view, be worth objecting to.

Annuities for lives have sometimes been granted upon schemes called Tontines, from Tonti, an Italian banker, by whom they were first proposed. In tontines, the benefit of survivorship is allowed. The subscribers usually appoint nominees, who are divided into classes according to their ages, a proportional annuity being assigned to each; and when any of the lives fail, the amount of the disengaged annuity is divided amongst the survivors so long as any remain, or until the annuity payable to each amounts to a large sum, according to the terms of the scheme.

More money should be raised upon an equal revenue appropriated to a tontine annuity, than upon annuities for separate lives; inasmuch as an annuity with a right of survivorship is worth more than an equal annuity for a single life. But, notwithstanding this circumstance, tontines seem to be about the very worst means that have been devised for raising money. They are, in fact, a species of lotteries. And besides having the same influence in leading people to convert their capital into revenue as annuities for lives, or annuities terminable at specified periods, they contribute powerfully to diffuse a taste for gambling. Life annuities are also, in almost every respect, more advantageous for the holders, inasmuch as they yield a constant and equal revenue from the outset; whereas, in tontines, an individual gets at first only a comparatively small revenue, and trusts chiefly to the chance, which, in most cases, must prove unfavourable, of out-living the other subscribers, and attaining to ease and opulence in old age.

In addition to these objections to tontines, it may be observed, that it is very difficult to establish them on sound principles, or according to the rules deduced from the theory of probabilities. The authors of such schemes are principally desirous of presenting them under the most attractive forms. The different classes of subscribers are not arranged with sufficient care, so that some individuals have an undue advantage over others. To establish a fair tontine, it would be indispensable to class together none but individuals of the same age, and who were placed under nearly the same circumstances; and to enact, that the entire annuity of each class should always go to the last survivor. But it would be impossible to establish any extensive tontine upon such principles, that is, on principles that would render the chances of the subscribers equal, and fully worth the sum paid for them.*

A very large proportion of the old public debt of France was raised upon tontines; most of which were contracted for in the most improvident manner on the part of the public, and on the most unequal terms on the part of the subscribers. And the fact that, previously to the Revolution, a very large proportion of the people of France evinced the strongest desire to embark in these schemes, or to convert their capitals into life annuities, dependent on contingencies, and that a spirit of gambling had been widely diffused amongst the lower and middle classes, is a practical proof of the correctness of the conclusions we have already drawn on general principles; and shows the extreme impolicy of establishing any system which may either teach individuals to disregard the interest of their heirs, or to trust to combinations of chances for the acquisition of that opulence, which, speaking generally, can only spring from industry and economy. Fortunately, however, this pernicious practice of borrowing upon tontines has been discontinued since the Revolution; and funding is now effected in France as in England, by granting interminable annuities redeemable at pleasure.

Tontines have been very seldom attempted in England.

* Lacroix, Traité Elémentaire des Probabilités, ed. 2nde, p. 235.

The last, undertaken in 1779, proved a losing concern to the contractors.

Presuming, therefore, that the advantage of funding in perpetual annuities, redeemable at pleasure on payment of the principal, has been sufficiently established, we have next to inquire into the best method of constituting these annuities.

The credit of nations, like that of individuals, is liable to vary from the operation of many different causes; and, though their credit were uniform, they would necessarily experience more or less difficulty in obtaining supplies upon loan, according to variations in the amount of floating capital, and the facilities for its profitable employment in industrious undertakings. It is obviously impossible, therefore, that public loans can always be negotiated on the same terms; and, in point of fact, the terms are perpetually varying.

But it is plain that, in contracting for a loan, there are only two elements that can be varied—the principal and the interest. Suppose that it has been usual for individuals to make advances to government on receiving 100*l.* of four per cent. stock for every 100*l.* advanced; and suppose further, that, from some cause or other, money can no longer be obtained on these terms. Under such circumstances, two courses are open, viz. (1), To give the lender a right to a greater amount of stock than the money he actually advances amounts to, and to allow him interest on such stock; or (2), To restrict the stock created, in the lender's favour, to the amount of the loan, and to make the required bonus by raising the rate of interest. The first of these plans is that which has been usually followed in this country; though it appears difficult to imagine that any preference was ever less deserved.

The system of funding to a greater extent than the money actually borrowed amounted to, began in the reign of Queen Anne; but it was not carried to any great extent till the war terminated by the treaty of Aix-la-Chapelle. About that time, however, the public debt began to be considered in the light of a permanent or irredeemable incumbrance; and it

was, therefore, thought better to dispose of variable quantities of stock bearing a uniform rate of interest, according to the state of the market at the time, than to fund the same principal sums at different rates of interest. At first this practice was infinitely less objectionable than it has since become. The price of stocks, during the reigns of George I. and George II., did not diverge materially from par; and until the rebellion of 1745, the three per cents. had never fallen below 89. But the same practice has been pursued ever since, even when the three per cents. have sold for little more than half their nominal value. It consequently follows, were any considerable progress to be made now, or at any future period, in paying off the public debt, that the three per cents. would immediately rise to about par; and, unless the holders were to consent to accept a stock bearing a lower rate of interest, the public would have to pay 100*l.*, when perhaps they only received 50*l.* or 60*l.*

It must, however, be admitted that the plan of funding a large capital in a stock bearing a low interest, has some advantage, though of a very limited description, over the plan of funding a less capital in a stock bearing a high interest. The fluctuations in the price of the former species of stock being more considerable than in the latter, it affords a better field for speculation. And the confidence placed by individuals in their own sagacity and good fortune, naturally disposes them to buy that species of stock which affords, what they conceive to be, the best opportunities for increasing their capital. The circumstances now stated are commonly supposed to account for the fact that the late five per cent. stock always bore a lower relative value than the three per cents.; or, which is the same thing, that a given sum of money applied to purchase five per cents., always yielded a higher rate of interest than if it had been applied to purchase three per cents. But although the above mentioned circumstances must, undoubtedly, have had some influence in raising the value of the three per cents., as compared with any other species of stock yielding a higher interest, it will be immediately seen that the discrepancy

in question was mainly owing to an entirely different circumstance.

Mr. Ricardo seems to have inclined to the opinion that the increased charge for interest, had the loans been made for an equivalent amount of stock, would have equalled, or perhaps exceeded, the advantage gained by the reduction of the principal.* There are really, however, no good or tenable grounds for this conclusion. If, indeed, the public debt is to be regarded in the light of a permanent burden; and if no efforts are ever to be made to lessen its amount, either by the operation of a really efficient sinking fund, or any other means; then it would seem that the payment on account of interest is the only thing that needs be attended to, and that the magnitude of the principal must be a matter of complete indifference. But even when considered in this point of view, it will be found that whatever relief may be gained in the payment of interest by funding a larger capital than the amount of the money borrowed, is only temporary and inconsiderable; and that it is sure to entail in the end an incomparably greater permanent burden on the country.

In the first place, though it be true, as has been previously stated, that four and five per cent. stocks have always borne a lower relative value in the market than three per cent. stock, it is not true that this lower value has been either wholly, or even principally, caused by the greater scope for speculation afforded by the three per cents. Those who held, or who speculated in five per cent. stock were aware that, in the event of its rising to par, as it should have done when the three per cents. rose to 60, it would be in the power of government to reduce the interest on it, an event which actually took place, and from the specific cause now assigned, in 1822. Hence it is plain that at least 1 per cent., or rather $1\frac{1}{2}$ per cent., of the dividends payable on five per cent. stock should only be considered in the light of a short annuity. Any given annuity derived from the five per cents. was not, therefore, really worth so much as an

* Article Funding System, in Encyclopædia Britannica.

equal annuity derived from the three per cents.; nor did they, from their liability to be reduced, when the three per cents. were above 60, constitute so advantageous a fund in which to make investments. This same principle held, also, in the case of the four and three and a half per cents.; their relative value being always somewhat depressed, as compared with the three per cents., occasioned by the greater risk of the dividend being reduced.

It is also, in the second place, abundantly obvious that a small increase of interest must be sufficient to balance the chance that funding in a stock at low interest gives of increasing the stockholder's capital. The additional rate of interest begins to accrue from the moment that the loan is bargained for; whereas the chances of a rise of the funds depend on the events and termination of the war, on the state of the revenue and the country when it is terminated, and a thousand other contingencies. The great majority of those who subscribe to loans never think of such remote contingencies, but look only to the circumstances of the moment. Indeed, persons well versed in such subjects have confidently affirmed that an addition of from $\frac{1}{4}$ to $\frac{1}{2}$ per cent. of interest to the rate actually bargained for, would have more than enabled Government to fund all the loans contracted during the late war, without any artificial increase of capital.

The grand recommendation of the plan of bargaining for loans, by offering such a rate of interest as may be required to procure them at the time, without creating any fictitious capital, consists in the facility which it affords of reducing the charge on their account during peace. Under the system of increasing the interest on loans, by funding a greater capital than is actually received by Government, the country may be prevented from profiting by the means which peace almost invariably brings along with it, of raising money at a less cost. Thus, if a loan had been made during the late war and an equivalent amount of stock had been created, bearing 5 or 6 per cent. interest, it would have been in the power of Government, soon after the peace, to reduce the charge, on account of this loan, to 4, and thereafter to 3 or at most

$3\frac{1}{2}$ per cent., by offering to pay off the principal, in the event of the holders refusing to agree to the reduction. But under the system that has unluckily been adopted, of funding a large fictitious capital at a low rate of interest, the total charge for interest is rendered very near as high as it would have been, though no fictitious capital had been created, while it has become impossible to reduce it, without being previously in a condition to pay off the fictitiously increased capital at par.

The statements now made, and the inferences drawn from them, are so obvious as hardly to require any confirmation. It may, however, be worth while to mention, that they are not advanced on any speculative or doubtful hypothesis, but that they rest on the solid and unassailable ground of fact and experiment. The additions made during the reigns of William III. and Anne to the principal of the public debt, over and above the sums borrowed, were of comparatively trifling amount; and hence Sir Robert Walpole, by availing himself of the facility with which money was obtainable after the treaty of Utrecht, was enabled materially to reduce the annual charge on account of interest; which was still further reduced in 1727 and 1749 (see *post*).

But in spite of the practical and decisive proofs that had thus been afforded of the advantage of funding a smaller amount of capital in a stock bearing a high rate of interest, in preference to funding a larger amount of capital in a stock bearing a low rate of interest, the latter plan has been almost uniformly followed since the commencement of the American war; and we are, in consequence compelled to pay, on the loans so contracted, the same rate of interest during peace, that was sufficient to cause the subscribers to come forward during the agitation and alarm incident to a protracted and doubtful contest! We shall endeavour, in as few words as possible, to make our readers acquainted with the practical operation and real effect of this most improvident system.

In 1781 a loan of 12,000,000*l.* was negotiated; and for this sum Government gave 18,000,000*l.* of three per cent. stock; and 3,000,000*l.* of four per cent. stock. On the whole, therefore, 660,000*l.* of interest was paid for this loan, being rather more than $5\frac{1}{2}$ per cent., and a fictitious capital was created in favour of the lenders of no less than *nine* millions! But it is obvious that, had this loan been negotiated without any increase of capital, at $5\frac{3}{4}$ or even 6 per cent., the charge on its account might have been reduced, in the course of half-a-dozen years, to 3 or $3\frac{1}{2}$ per cent. on the 12,000,000*l.* actually borrowed; whereas, owing to the mode in which it was contracted, nothing could be deducted from the annual charge until after the prices of the three and four per cents. rose above par, without being previously prepared to offer the holders twenty-one millions for the twelve they had originally advanced! And as this has not yet occurred with the three per cents., we are still in 1851 burdened with a payment of about 5 per. cent. on account of this loan!

Nothing, we are sorry to say, is more easy than to point out innumerable instances of this sort, in which the public interests have been sacrificed, not intentionally, indeed, but through ignorance, or a desire to grasp at an immediate advantage, in the most extraordinary manner. The very next loan negotiated by Lord North, in 1782, was for 13,500,000*l.*, for which Government gave 13,500,000*l.* three per cents., and 6,750,000*l.* four per cents., exclusive of an annuity of 17*s.* 6*d.* for every 100*l.* advanced, for 78 years. The country was, in this way, bound to pay an interest of 793,125*l.* a year, inclusive of the annuity, being at the rate of 5*l.* 16*s.* 10*d.* per cent.; and it was rendered impossible to reduce this heavy charge at any future period, except under the contingency alluded to above, without previously consenting to sacrifice 6,750,000*l.*!

But it is unnecessary to go back to the American war for proofs of the extreme inexpediency of funding in this manner. Most of the loans negotiated during the late war were funded in the same way, and some of them on still more ruinous terms on the part of the public. Thus, according to the con-

ditions on which a loan of 18,000,000*l.* was bargained for in 1795, a capital of 18,000,000*l.* three per cent. stock, and 6,000,000*l.* four per cents., exclusive of a long annuity of 9*s.* 6*d.* per cent., was assigned to the subscribers. But the terms of the loan of 17,000,000*l.*, negotiated in 1798, were still more extravagant; for every 100*l.* advanced entitled the lender to 200*l.* three per cent. stock, and an annuity of 4*s.* 11*d.* per cent. for $62\frac{3}{4}$ years; or, in other words, for every 100*l.* advanced, Government bound the country to pay an annual interest of 6 per cent., exclusive of the long annuity! We admit that this was a period of unusual difficulty; that the urgency of the crisis required that higher terms than ordinary should be offered to the subscribers; and no just objection could have been made to granting them whatever rate of interest might have been required to induce them to come forward. This, too, was in fact really done; but owing to the way in which it was done, by granting the subscribers three per cent. stock to *double* the amount of the money they advanced, the public was effectually prevented from so much as attempting to reduce the annual charge on account of this loan until the rate of interest for which new loans might be contracted should be under 3 per cent.! And we are now, in the thirty-sixth year of peace, paying 6 per cent. on this loan; whereas, had it been funded in a six and a quarter or six and a half per cent. stock, the interest might have been reduced, thirty years ago, to 4 or $4\frac{1}{2}$ per cent., and would now have been reduced, to $3\frac{1}{4}$ per cent., and in 1854 to 3 per cent. or to half its present amount. It is probable that those who negotiated the loan of 1798 never reflected on these things, and it is indeed most likely that they believed the interest they contracted to pay would be the minimum rate in all time to come; for otherwise it is hardly possible to imagine that they should have made the reduction of the interest contingent on what must then have appeared so very unlikely an event as the rise of the three per cents. to above par.

But no experience of the pernicious effects of this system, and no change of circumstances, were sufficient to induce our finance ministers to abandon it. Accordingly, when a loan of

no less than 36,000,000*l.* was bargained for in 1815, it was stipulated that every subscriber of 100*l.* should be entitled to 174*l.* three per cent. stock, and 10*l.* four per cent. stock, yielding together an interest of 5*l.* 12*s.* 4*d.* per cent. The improvidence of this transaction is glaringly obvious. There can be no manner of doubt that an addition of $\frac{1}{4}$ or $\frac{1}{2}$ per cent. to the interest would have procured this loan without any increase of principal; but supposing that 1 per cent. additional interest had been required, instead of being very probably subjected to a constant payment, in all time to come, of above 5*l.* for every 100*l.* advanced, we should have had 6*l.*, or 6*l.* 10*s.*, to pay for four or five years, and 3*l.*, or at most 3*l.* 10*s.*, afterwards.

This, we beg our readers to remark, is not in any respect hypothetical reasoning; for in the very same year in which the loan now referred to was negotiated, upwards of 18,000,000*l.* of Exchequer bills were funded at the rate of 117*l.* five per cent. stock for every 100*l.*, affording consequently an interest of 5*l.* 17*s.* per cent.; being only 4*s.* 8*d.* per cent.* more than was paid for the loan of that year, though the subscribers to the latter had 84*l.* of artificial capital created for every 100*l.* advanced, and the holders of Exchequer bills only 17*l.* But this is not all. In consequence

* This, however, as Dr. Hamilton has observed, represents the difference of interest of an equal sum funded in the three and five per cents., as greater than it really is. In loans the public pay the whole interest for the year in which the loan is contracted, though it is paid by instalments, or, if otherwise, discount is allowed. When a loan is made in five per cent. stock, this advantage is fully equivalent to an additional capital of 50*s.* on every 100*l.* advanced, or to a constant payment of 2*s.* 6*d.* a year. But as no such advantage is gained in the funding of bills, it follows that this sum ought to be deducted from the greater interest (4*s.* 8*d.* per cent.) paid on the capital funded in the five per cents.; so that it is plain that the payment of so small a sum as 2*s.* 2*d.* per cent. of additional interest in the meantime, was all that was required, in the instance referred to in the text, to balance an artificial capital of 67*l.* (184*l.*—117*l.*) on every 100*l.* advanced; and at the same time, to secure to the public the power of reducing the interest on the loan from 5$\frac{1}{2}$ per cent. to 3 or 3$\frac{1}{2}$ at the termination of the war! And yet our financiers refused to purchase such advantages at such a cost.

of the measures adopted in 1822 for reducing the interest of the stock formed out of the five per cents., and those adopted in 1834 and 1844, the charge on account of the Exchequer bills funded in that stock in 1815 cannot now materially exceed 3 per cent.; and if, instead of raising the principal to 117*l.*, a six per cent. stock had been created, the charge would have been reduced in 1854 to precisely 3 per cent.

We have not entered into these details in the view of uselessly reflecting upon measures long since past, and which, however erroneous, can no longer be amended, but in the view of guarding against their repetition. The perpetual peace of the Abbé de St. Pierre is not very likely ever to be realised. We may lay our account with being again involved in war; and whether indispensable or not, there can be little doubt that loans will be then resorted to. And it is to be hoped that the experience we have had of the disadvantage of funding fictitious capitals in a stock bearing a low rate of interest may be sufficient to hinder the practice from being again acted upon. It is the most improvident and ruinous that can be imagined; being productive of little or no immediate advantage, and of great and all but endless loss. We beg to subjoin an Account of the Loans contracted in each Year from 1793 to 1816, both inclusive (see p. 457.).

Many of those who have argued against the practice of funding have particularly deprecated borrowing from foreigners. Raynal contends that the bargaining for loans from the latter is in effect selling to them one or more provinces; and he doubts whether it would not be more rational to deliver up the soil than to cultivate it for their use!* Blackstone†, Hume‡, and Montesquieu§, though they do not carry their objections to this ridiculous extreme, join, notwithstanding, in condemning this practice. But a more unprejudiced inquiry has shown the fallacy of these objections. If a loan be decided upon, and if it may be obtained from

* Histoire Philosophique, iv. 663. ed. 1788.

† Commentaries, i. 320. ‡ Essay on Public Credit.

§ Esprit des Loix, liv. xxii. c. 17.

Account of Loans contracted in each Year from 1793 to 1816, both inclusive; of the Amount of all sorts of Stock created on account of these Loans; of the total Interest or Dividend payable on them; of the Portions of said Loans paid to the Commissioners of the Sinking Fund; of the Amount of all sorts of Stock purchased by said Commissioners; and of the Amount of the Dividends on said Stock.—(Compiled from the Parliamentary Paper No. 145. Sess. 1822.)

Years ending 1st February.	Amount of Loans contracted in each Year.	Amount of Stocks of all kinds created.	Total Annual Charge of Dividends and Annuities on such Stock.	Account of the Portions of the Loans paid to the Commissioners of Sinking Fund.	Amount of all Funds or Stocks of every Description purchased by the Commissioners of Sinking Fund.	Amount of Dividend on Stock purchased by Commissioners.
	£	£	£	£	£	£
1794 -	4,500,000	6,250,000	187,500	1,630,615	2,174,405	65,232
1795 -	12,907,451	15,676,526	599,118	1,872,200	2,804,945	84,148
1796 -	42,090,646	55,539,031	2,132,369	2,143,597	3,083,455	97,574
1797 -	42,756,196	56,945,569	2,274,528	2,639,724	4,390,670	131,720
1798 -	14,620,000	29,019,300	935,579	3,361,753	6,716,153	201,485
1799 -	18,000,000	35,624,250	1,105,602	3,984,253	7,858,109	235,743
1800 -	12,500,000	21,875,000	656,250	4,288,209	7,221,338	216,640
1801 -	18,500,000	29,045,000	871,350	4,620,479	7,315,002	219,450
1802 -	34,410,450	55,954,312	1,775,530	5,117,723	8,091,454	249,594
1803 -	23,000,000	30,351,375	910,541	5,685,542	7,733,421	246,257
1804 -	10,000,000	16,000,000	512,083	6,018,179	10 527,243	315,817
1805 -	10,000,000	18,200 000	546,000	6,521,394	11,395,692	344,711
1806 -	21,526,700	39,543,126	1,140,632	7,181,482	12,234,064	367.022
1807 -	18,000,000	29,880,000	896,400	7,829,589	12,807,070	384,212
1808 -	12,200,000	18,373,200	577,060	8,908,674	14,171,407	425,142
1809 -	12,000,000	13,693,253	587,744	9,555,854	13,965,821	435,758
1810 -	19,532,100	22,173,645	947,312	10,170,105	14,352,771	453,923
1811 -	16,311,000	19,811,107	765,955	10,813,017	15,659,194	481,443
1812 -	24,000,000	29,244,712	1,191,736	11,543,881	18,147,245	544,417
1813 -	27,871,325	40,743,031	1,486,272	12,439,632	21,108,442	633,253
1814 -	58,763,100	93,731,523	3,230,600	14,181,006	24,120,867	723,626
1815 -	18,500,000	24,694,830	851,833	12,748,232	19,149,684	574,490
1816 -	45,135,589	70,888,403	2,577,820	11,902,051	20,280,098	608,403
1817 -	3,000,000	3,000,000	90,000	11,491,670	18,515,556	555,537
	520,124,557	776,257,193	26,849,814	176,648,860	283,824,109	8,595,597
Loans raised on account of Ireland in Great Britain	64,750,000	103,032,750	3,324,550	11,873,490	19,087,846	572,635
Total Sum raised	584,874,557	879,289,943	30,174,364	188,522,350	302,911,955	9,168,232
Deduct, Sums raised on account of Sinking Fund -	188,522,350	302,911,955	9,168,232			
Balance -	396,352,207	576,377,988	21,006,132			

foreigners on more favourable terms than at home, it is certainly most advantageous to transact with them. It is to no purpose to contend that, as the money borrowed is spent in warlike operations, it yields no revenue, while the national income is burdened with the payment of the interest. Had the loan not been obtained from abroad, it must have been raised at home. And it is obvious that though a transaction of this sort may force an annual payment to be made to a foreign country, it saves at the same time a more than equi-

valent portion of the capital of the borrowing nation, and gives it the means of easily making the payment. The objection in question is therefore quite untenable; and in the event of a loan being determined upon, sound policy will always dictate that it be negotiated wherever it can be had on the lowest terms, whether at home or abroad.

CHAPTER III.

REDUCTION OF THE NATIONAL DEBT.

Reduction of Interest in 1717, 1727, 1749, 1822, &c.—Sinking Fund.—Assessment on Capital to pay off Principal of Debt.

It has been seen in the preceding chapter that the greater portion of the loans raised during the reigns of William III. and Anne, were negotiated at very high rates of interest. Luckily, however, but little artificial capital was created; so that after the peace of Utrecht, when money became more abundant, and loans could be contracted on more favourable terms, proposals began to be made for reducing the interest of the public debt.* To facilitate this project the statute rate of interest was reduced in 1713, by the 12 Ann. St. II. cap. 16., from 6 to 5 per cent, "without prejudice to parliamentary securities." After this act had passed, Government effected a loan of 910,000*l.* at 5 per cent.; and it was subsequently determined to reduce the interest of the debt to that rate.

* It was proposed by various parties to effect this object by taxing the funds. This, however, would have been a gross breach of the public faith. Its impolicy and real character were immediately set in a clear light in two tracts, the first of which, published in 1710, entitled an "Essay on Public Credit," has been ascribed to Harley, Earl of Oxford; the second, an abler and more elaborate treatise, appeared in 1717, and is entitled "A Letter to a Friend on the Inviolable Nature of Public Securities." Harley's tract was warmly eulogised by the Earl of Shelburne (first Marquis of Lansdowne) in the debates on the Sinking Fund in 1786.

Mr. (afterwards Sir) Robert Walpole, who was then Chancellor of the Exchequer, having secured the co-operation of the Bank and the East India Company, moved in the House of Commons, on the 23d March 1717, a series of resolutions on the subject.* These having been agreed to, intimation was made to the public creditors that the debts of those who did not choose to accept 5 per cent. interest would be paid off. There were but few dissentients. The saving amounted to 324,456*l.* a year, the dividends being reduced from 1,598,602*l.* to 1,274,146*l.* A further saving of about 340,000*l.* a year was effected in 1727, by reducing the interest on the greater portion of the debt from 5 to 4 per cent., and by other transactions with the South Sea Company.

In 1737 the *three* per cents. rose to the extraordinary height of 107, or to seven per cent. above par, being the highest elevation which they have hitherto reached. This rise afforded a very favourable opportunity for further reducing the interest payable on the debt, which was strongly recommended by Sir John Barnard, and other members of the House of Commons. But Sir Robert Walpole (for reasons of which no satisfactory explanation has been given) opposed the measure; and when Barnard introduced a bill to carry the reduction into effect, he exerted his influence against it, and procured its rejection. In 1749, however, the reduction of the interest on the greater part of the debt, from four to three per cent., was effected by Mr. Pelham, with the assistance of Sir John Barnard; the consequent saving to the public being about 565,600*l.* a year.†

There were no further reductions of the interest for a lengthened period, or till 1822. The plan of funding usually adopted in the American and French wars has, as already

* Walpole resigned immediately after the resolutions were carried. But the scheme was, notwithstanding, successfully carried out. (Tindal's Continuation of Rapin, iv. 534. folio ed.)

† Sinclair's History of the Public Revenue, 3d ed., i. 506. &c.; Coxe's Sir Robert Walpole, ii. 406. &c. 8vo. ed.; Considerations on the Proposal for reducing the Interest of the National Debt (by Sir John Barnard), *passim*, &c.

seen, nearly tied up the hands of Government, and prevented the public from profiting to any great extent by the facility with which money might have been raised since the peace to effect a reduction of the dividends. But, though general during these contests, the practice of funding increased capitals in a three per cent. stock was not universal; and the interest of all that portion of the debt that was funded in other stocks has been progressively reduced in the interval. The first reduction was made in 1822, and the last in 1844. The following table (p. 461.) gives a view of the various reductions since 1822, and their results.

It appears from this table, that in 1844, when the $3\frac{1}{2}$ per cent. stock was reduced to $3\frac{1}{4}$ per cent., a total reduction had been effected between that date and 1822 of 3,051,800*l.* in the annual interest of those portions of the debt funded in stocks bearing a higher interest than three per cent. In October, 1854, when the $3\frac{1}{4}$ per cent. stock will be further reduced to 3 per cent., there will be an additional saving of 621,893*l.*, making, in the aggregate, a reduction, since 1822, of 3,673,693*l.* a year in the payments to the public creditor. And had the entire debt contracted since the commencement of the seven years' war been funded without any increase of capital in stocks bearing the interest really payable on the loans, the total reduction, instead of being little more than *three and a half*, would have amounted to about *ten* millions a year!

Funding, like some of the most effective medicines, is a dangerous as well as a powerful resource, and requires to be skilfully administered. But our finance ministers can claim no credit for peculiar expertness or ability in this respect. On the contrary, the previous statements show that we sustain ten times more injury from the unskilful and ruinous mode in which the business of funding has been conducted, than from those mischievous influences, inherent in the system itself, which excited the fears of Hume and Smith. The opposition of Walpole to the reduction of the interest in 1737 occasioned a loss to the public of 6,787,200*l.* (565,600*l.* × 12 years). But this sinks into insignificance when compared with the immense and apparently interminable sacrifice of from *six* to

A RETURN showing the Results of the Operations undertaken in 1822, 1824, 1825, 1830, 1834, and 1844, for reducing the Charge on account of the National Debt, and the Terms upon which such Reduction was made; also, showing the Annual Interest on the Funded Debt saved thereby.

			Gross Capitals.	Annual Interest.	Annual Interest saved.
			£	£	£
1822	5 per cents. reduced to 4 per cents.; viz. 105*l.* 4 per cents., for 100*l.* 5 per cents., per 3 Geo. 4. c. 9. -	Five per cent. (Navy) annuities Capital	152,422,143		
		Amount of Dissents paid off - -	2,794,276		
			149,627,867	7,481,393	
		Bonus of 5*l.* per cent. allowed to those who assented - - - -	7,481,350		
		Capital 4*l.* per cent. - - -	157,109,217	6,284,368	
	Bank of Ireland Debt at 5 per cent. reduced to 4 per cent. at par, per 3 Geo. 4. c. 26. - -				1,197,025
		Bank of Ireland Debt, at 5 per cent. -	1,153,846	57 692	
		Same Capital, at 4 per cent. - -	1,153,846	46,153	
					11,539
1824	Old 4 per cents. reduced to 3½ per cents. at par, 5 Geo. 4. c. 11.	Four per cent. Annuities Capital	76,248,180	3,049,927	
		Same Capital, at 3½ per cent., including 6,149,245*l.* Non-assents, vested in the Commissioners for the Reduction of the National Debt, per 5 Geo. 4. c. 45.	76,248,180	2,668,685	
					381,242
1824 & 1825	5 per cents. 1797, reduced to 3 per cents.; viz. 138*l.* 6*s.* 8*d.* consolidated 3 per cents. for 100*l.* 5 per cents., 37 Geo. 3. c. 10. -	Capital at 5 per cent. - - -	1,013,668		
		Deduct Dissents paid off - -	41,011		
			972,657	48,632	
		Capital at 3 per cent. - - -	1,296,876	38,906	
					9,726
1830	4 per cents. exchanged for 100*l.* of 3⅓ per cents., or 70*l.* of 5 per cents., per 11 Geo. 4. c. 13. -	4 per cent. Annuities, formerly Navy, 5 per cents. - - Capital	153,671,091		
		Amount of Dissents paid off - -	2,880,915		
			150,790,176	6,031,607	
			Interest:		
		Which was exchanged for 150,119,609*l.*, 3*l.* 10*s.* per cent. Annuities - -	5,254,186		
		469,398*l.*, 5*l.* per cent. Annuities -	23,469		
				5,277,655	
					753,952
1834	4 per cents. 1826 reduced to 3½ per cents. at par, per 4 & 5 Will. 4. c. 31. - -	4 per cent. Annuities, created in 1826 Capital	10,622,911	424,916	
		Same Capital, at 3*l.* 10*s.* per cent., including 4,133,721*l.* Dissents, vested in Commissioners for the reduction of the National Debt on account of the Fund for Banks for Savings - - -	10,622,911	371,891	
					53,115
1841	Bank of Ireland Debts, at 5 and 4 per cent. reduced to 3½ per cent., per 3 & 4 Vict. c. 75. and Warrant of Treasury, 30 January, 1841 - -	Debt at 5 per cent. - - -	1,015,384	50.769	
		Debt at 4 per cent. - - -	1,615,384	64,615	
			2,630,768	115,384	
		Same Capital at 3½ per cent. - -	2,630,768	92,076	
					23,808
1844	3½ per cents. reduced at par to 3¼ per cents. until 10 October, 1854, and from that period to be reduced to 3*l.* per cents., and not liable to further reduction until after 10 October, 1874, per 7 Vict. c. 4 and 5.	New 3*l.* 10*s.* per cent. Annuities Capital	157,243,517		
		Reduced 3*l.* 10*s.* per cent. Annuities Capital	67,701,606		
		3*l.* 10*s.* per cent. Annuities, 1818 Capital	9,514,369		
		Old 3*l.* 10*s.* per cents. and Debentures Capital	14,401,171		
			248,860,663		
		Amount of Dissents and Non-assents paid off - - - - -	103,352		
			248,757,311	8,706,505	
		Same capital at 3*l.* 5*s.* per cent. -	248,757,311	8,084,612	
					621,893
					3,051,800

seven * millions a year, entailed on the public through the ignorance and errors of succeeding ministries and parliaments.

The plan for the gradual extinction of the national debt, by consolidating the various surpluses of revenue arising from the reduction of interest and other sources into a sinking fund, to be constantly applied to purchase stock, was first proposed by Earl Stanhope, and adopted by Sir Robert Walpole, in 1716; and its advantages, from its being supposed to operate at compound interest, are very fully detailed in an elaborate "Essay on the Public Debts of the Kingdom," ascribed to Sir Nathanael Gould, M.P., published in 1726. The Act establishing the sinking fund (3 Geo. I. cap. 7.) declares that the various surpluses of which it consisted "shall be appropriated, reserved, and employed to and for discharging the principal and interest of such national debts and encumbrances as were incurred before the 25th December, 1716, and to or for none other use, intent, or purpose whatsoever." But, in despite of this explicit enactment, the sinking fund was very soon perverted from its original destination. Several disguised encroachments were made in the interval between 1727 and 1732, but the first open and avowed encroachment was made in 1733. In 1732 the land-tax was reduced to 1*s.* in the pound; and to supply the deficiency of revenue which this reduction occasioned, half a million was borrowed, and the interest charged to the salt-tax, which was then revived, after being abolished only two years before. In the following year it became necessary to raise an additional 500,000*l.*, and Sir Robert Walpole moved that it be taken from the sinking fund; adding, that if this proposal were objected to, he should be obliged to increase the land-tax from 1*s.* to 2*s.* in the pound. The motion was of course carried by a very great majority; and in 1735 and 1736 the entire produce of the fund was anticipated and mortgaged!

The authors of the "History and Proceedings of the House

* The difference between the reductions actually made in the charge on account of interest, and those which might have been made had no artificial capitals been created.

of Lords," in giving an account of this alienation, truly observe, "When any additional tax is imposed, the public feel the weight of the annual public expense. This puts them upon inquiring into the necessity of that expense; and when they can see no necessity for it they murmur, and those murmurs become dangerous to the minister. Whereas no man feels what is taken from the sinking fund, therefore no man inquires into the necessity of that expense which occasions its being plundered; and for this reason it will be always looked upon by ministers as a fund which they may squander with safety." *

Dr. Price laments this perversion in the most piteous terms: —"Thus," says he, "after an existence of a few years, expired the Sinking Fund — that sacred blessing, once the nation's only hope, prematurely and cruelly destroyed by its own parent. Could it have escaped the hands of violence it would have made us the envy and terror of the world, by leaving us at this time not only *tax-free*, but in possession of a treasure, greater perhaps than ever was enjoyed by any kingdom."

But although Dr. Price was perfectly right in censuring Walpole for not imposing additional taxes to supply the deficiency in the disposable revenue, he was totally wrong in his estimate of the influence of a sinking fund. The truth is, that no sinking fund, even though it consist of clear surplus revenue, ever operates at compound interest. Suppose, to illustrate the mode of its working, that there is a million of surplus cash in the Treasury, and that it is formed into a sinking fund. In the first place, the commissioners for managing this fund would purchase a million's worth of stock, and would receive at the end of the year the dividend or interest on this stock, which had previously been paid to the public creditor. If this dividend were 5 per cent., or 50,000*l.*, the commissioners would purchase additional stock with it; and would consequently have at the end of the *second* year 52,500*l.* to invest in a new purchase; at the end

* Vol. iv. p. 511. See also the striking paragraph in the "Wealth of Nations," p. 418.

of the *third* year 55,125*l.*, and so on. This is what Sir Nathanael Gould, Dr. Price, and Mr. Pitt call paying off the public debt by a Sinking Fund operating at compound interest. But it is obvious that whatever diminution may be effected in the amount of the public debt in the way now stated, is brought about by appropriating a portion of the produce of taxation to its extinction. It is true that by employing any given sum to purchase stock, and then constantly applying the dividends upon the stock so purchased to the redemption of debt, its diminution will be effected in the same way that it would be were the original sum increasing, by an inherent energy of its own, at compound interest. But it is essential to know, that though the results be the same, the means are totally different. The debt is reduced because that portion of the produce of the taxes required to pay the dividends or interest on the stock purchased by the Sinking Fund Commissioners, instead of being remitted to the contributors, continues to be taken from them, and applied to the purchase of fresh stock. It is the merest delusion to suppose that a reduction of debt is ever effected by the agency of a fund increasing at compound interest. To make capital increase in this way, it must be employed in some sort of productive industry; and the profits, instead of being consumed as income, must be regularly added to the principal, to form a new capital. It is unnecessary to say that no such sinking fund ever existed. Those that have been set on foot in this and other countries have all been supported either by loans or by the produce of taxes, and have never paid off a single shilling of debt by their own agency. We are not, however, to consider this notion of the wonder-working effects of sinking funds as a mere harmless error. There can be no question that it has, by making it be believed that the greatest amount of debt might be defrayed without loss to any one, been one of the principal causes of the ruinous extension of the funding system.

Delusive, however, as were his notions with respect to the effect of sinking funds operating at compound interest, the writings of Dr. Price gave them the greatest currency; and,

coupled with some visionary calculations he had made respecting the number of *globes of gold* to which a penny laid out at compound interest at the commencement of the Christian æra would have amounted in 1772, completed the delusion. The most intelligent men in the country were made to believe that the public debt might be diminished, notwithstanding the contraction of new loans, by the operation of a sinking fund; that "war, while such a scheme was going on, would increase its efficacy; and that any suspension of it then would be the madness of giving it a mortal stab *at the very time it was making the quickest progress towards the accomplishment of its end.*" *

By way of showing that these conclusions, how extravagant soever they may appear, were really well founded, Price puts the following case:

"Let a state be supposed to run in debt 2,000,000*l.* a year, for which it pays 4 per cent. interest; in seventy years a debt of 140,000,000*l.* would be incurred. But an appropriation of 400,000*l.* per annum, employed in the manner of a sinking fund, at compound interest, would, at the end of this term, leave the nation beforehand 6,000,000*l.*" †

If this were true, it follows that 2,000,000*l.* (and *cæteris paribus* any larger sum) might be annually borrowed at 4 per cent., of which 1,600,000*l.* might be annually expended without incurring any more debt than would be paid by the regular appropriation of the remaining 400,000*l.* But the art of *hocus pocus* has not yet arrived at this degree of perfection. Dr. Price has forgotten to state how the interest of his annual loan of 2,000,000*l.* is to be provided for. Had there been a corresponding surplus revenue, the loan would have been, in part, at least, unnecessary. And supposing consequently (as we must do), that new taxes are annually imposed to defray the interest, the gross amount of these taxes would, in twenty-five years, equal the loan itself; and in the last, or 70th year of its contraction, they would amount to no less than 5,600,000*l.* (80,000*l.* interest for one year × 70), or to

* Price's Appeal to the Public on the subject of the National Debt, p. 17.

† Appeal, &c., p 7.

3,600,000*l.* more than the amount of the loan! so that the debt, which is said to be reduced by the annual appropriation of the 400,000*l.* or one-fifth part of the loan, is wholly reduced by the new taxes. To prove that such is the case, suppose that only 1,600,000*l.* a year has been borrowed and expended, but that taxes have been annually imposed sufficient to defray the interest of a loan of 2,000,000*l.*, the debt would be discharged in precisely the same time. It must, indeed, be evident, on the slightest consideration, that neither the debts of individuals nor of states can be diminished by the mere borrowing of money to pay them off. And had it not been for the mysterious manner in which propositions like that now examined were put forth, their fallacy must have struck every one. Borrowing money to pay off debt, unless when it is obtained at a lower rate of interest, never serves any purpose other than to increase its amount and to entangle and perplex the public accounts. If any reduction of debt be really effected while such borrowing is going on, it will invariably be found, on examination, to have been occasioned by an increase of revenue or a diminution of expenditure, or both.

The delusion occasioned by Price's writings*, though very general, was not universal. During the discussions on the Sinking Fund of 1786, a little tract was published, entitled "Considerations on the Annual Million Bill, and on the Real and Imaginary Properties of a Sinking Fund," in which the hollowness of Price's theories is ably exposed, and in which it is demonstrated that no debt can ever be paid off except by the application of surplus revenue to that object. But this valuable tract appears to have made little or no impression. The plans and calculations of Price, instead of being allowed, like those of most projectors, to fall into oblivion, were adopted by Mr. Pitt, and formed the basis of his famous sinking fund.†

* The influence of Price's writings was increased by his high character his earnestness, and perfect integrity.

† It is not creditable to Mr. Pitt that, while he piqued himself upon

To constitute this fund, *one million per annum* was appropriated by Parliament, which was to be allowed to accumulate at compound interest, by the addition of the dividends on the stock which it purchased. In 1792 some further additions were made to this fund; and it was then also enacted, that besides providing for the interest of any loan that might henceforth be contracted, additional taxes should be imposed to form a sinking fund of *one* per cent. on the capital stock created by such loan. As there was a considerable excess of revenue in the period from 1786 to 1793, the debt was reduced by about $5\frac{1}{2}$ millions, and this reduction was ascribed to the effect of the sinking fund acting at compound interest, though it is plain it entirely resulted from the application of surplus taxes to the purchase of stock. Subsequently to the commencement of the revolutionary war, the income of the country uniformly fell greatly short of the expenditure, and the debt rapidly increased. But though there was no *annual million* in the Treasury to transfer to the Commissioners, the machinery of the sinking fund was kept up. The loans for the service of the year were uniformly increased, by the whole amount of the sums placed at the disposal of the Commissioners; so that, for every shilling's worth of stock transferred to them by this futile proceeding, an equal or greater amount of new debt had to be contracted, exclusive of the loss incurred on account of management.

And yet this miserable juggle was lauded by all parties. The opposition vied with the ministry in celebrating its praises. The sinking fund was universally considered as the great bulwark of the country; "as a means by which a vast treasure was to be accumulated out of nothing!" And so lasting and powerful was the delusion, that after fourteen years' experience of its worse than absolute nullity, when a new financial project was introduced in 1807, it contained a system of checks to prevent the evils likely to result from allowing the sinking fund to accumulate without any limit,

the Sinking Fund, he made no public acknowledgment of the obligations, in regard to it, he was under to Dr. Price.

"and deluging the country with a flood of wealth," by "a too prompt discharge of the public debt!" We doubt whether the history of the world can furnish another instance of so singular an infatuation. Had the sinking fund involved any unintelligible dogmas, had it addressed itself to popular feelings and passions, or had it originated in the enthusiasm of the public, the confidence in its efficacy would have been less unaccountable. But it was from the first a matter of calculation. It was projected by some of the best informed persons in the country, who continued for upwards of twenty years to believe that they were rapidly diminishing the public debt by the agency of a sinking fund, which was all the while kept on foot by fresh loans! Dr. Hamilton, of Aberdeen, has the merit of having completely dissipated this extraordinary delusion. He showed * that, instead of reducing, the sinking fund had increased the debt. And he proved to demonstration, that the excess of revenue above expenditure is the only fund by which any portion of the public debt can be discharged. "The increase of revenue," he observes, "or the diminution of expense, are the only means by which this fund can be enlarged, and its operations rendered more effectual; and all schemes for discharging the national debt, by sinking funds operating at compound interest, or in any other manner, unless in so far as they are founded upon this principle, are completely illusory.

"The extent of the sinking fund is artificial, and may be brought, by a mere change in the arrangement of the public accounts, to bear any proportion to the amount of debt, without the slightest advantage, or any tendency to promote its discharge. In time of war, we raise a certain sum by taxes for the expense of the year, and borrow what further is wanted. If a sinking fund be maintained, the sums appropriated are deducted from what would have otherwise been expended on the war, and a greater loan is required. We may

* In his work, entitled "An Inquiry Concerning the Rise and Progress, the Redemption and Present State, and the Management of the National Debt of Great Britain and Ireland." 1 vol. 8vo. 3d edit. Edinburgh, 1818.

throw into the sinking fund any share of the revenue we please. We have only to add as much to the loan, and we shall raise a larger sum in the form of loan with the same facility, by the effect of the sums thrown into the money market for the stock purchased by the Commissioners. In time of war, the sinking fund is nominal; in time of peace, a large sinking fund will discharge the debt more quickly; but this amounts to no more than that a continuance of the taxes which we paid in war, after peace is restored, will be attended with a speedier reduction of debt, than what would take place if a large part of these taxes were repealed.

"A similar circumstance, held forth to ease the alarms arising from the magnitude of the national debt, is the progress already made in its discharge by the sinking fund, and the large sum redeemed. We are told that these operations have succeeded beyond expectation, and that the whole debt existing in 1786, amounting to 238,000,000*l.*, is already paid off. This is altogether fictitious and delusive. We may pay off as much debt as we please at any time by borrowing; but the only real alteration in the state of our finance is the difference between the debt contracted and the debt paid off; and while the former of these exceeds the latter, our situation is growing worse to the extent of that difference.

"A private gentleman, whose estate is incumbered, may, if he have any credit, pay off all his debt every year, by borrowing from other hands; but if he spend more than his free income, his embarrassments will continually increase, and his affairs are so much the worse by being conducted in this manner, from the fees he pays to his agents. The adsurdity of supposing any advantage derived from this annual discharge of his debts will appear still stronger, if we suppose him, instead of borrowing from other hands, only to renew the securities to the same creditors annually, paying a fee to the agents, and a *douceur* to the creditors themselves on the renewal. All these observations are equally applicable to the debt of a nation, conducted as ours is. It would not be impracticable, or very difficult, to re-

deem our whole debt in any year, if the measures we follow be redemption. It would only require a large loan every month, and the large sums we were thus enabled to pay would supply the funds for these loans. Our capitalists would be well pleased to promote these loans, as they would derive a bonus from each. Such a system would be ruinous in the extreme; and the system we follow is the same on a smaller scale, and is therefore only pernicious in a less degree." *

These statements are conclusive as to the folly of supposing that it is possible to make any reduction in the amount of the public debt, by the agency of a sinking fund kept on foot with borrowed money. But a sinking fund of this sort is a costly as well as a clumsy imposture. It appears from the previous table (p. 457.) that the loans contracted in each year from 1794 to 1816, both inclusive, amounted in all to 584,874,557*l.*, at an annual charge to the public of 30,174,364*l.* But the Commissioners of the Sinking Fund received 188,522,350*l.* of these loans, the annual charge on such portion being, of course, 9,726,090*l.*† It appears, however, from the table previously referred to, that the stock which the Commissioners purchased with this sum of 188,522,350*l.*, transferred to them out of the loans, only yielded an annual dividend of 9,168,232*l.* On the one hand, therefore, an annual charge of 9,726,090*l.* was incurred to enable the Sinking Fund Commissioners to go to market; and, on the other, they bought stock which yielded 9,168,233*l.* a year; so that, on the whole, their operations during the war occasioned a dead loss to the country of 557,857*l.* a year, equivalent to a 3 per cent. capital of 18,595,233*l.*, exclusive of the expenses of the office, which amounted to above 60,000*l.* Such is the practical result of that sinking fund so long represented as the palladium of public credit and the sheet anchor of the nation!

This striking discrepancy between the sums borrowed on

* Hamilton on the National Debt, p. 237. &c.

† 584,874,557 : 30,174,364 :: 188,522,350 : 9,726,089 $\frac{15817827}{584874557}$.

account of the sinking fund and those which it paid off was occasioned principally by the circumstance of the loans having been uselessly augmented by the whole amount of the sums transferred to the Commissioners. Every body knows that a large loan is always negotiated on worse terms than a small one; for, to be in a condition to make a large purchase, intending contractors must sell a comparatively large amount of stock before the day on which the biddings are taken, and this, of course, depresses the market prices of that day, by which the terms of the loan are mainly regulated. In most cases, however, the depression caused by the preparation for a loan is but of short duration, so that, speaking generally, it may be said that during the war the Sinking Fund Commissioners were supplied with money borrowed when the funds were unnaturally depressed, with which they were sent to buy up stock that had recovered its full value! The discrepancy is in some degree, also, owing to the premium usually received by the contractors being paid on that part of the loans transferred to the Commissioners, and consequently deducted from the sums laid out by the latter. The wonder in truth is, not that a very heavy loss was incurred by keeping up the sinking fund machinery during the French war, but rather that that loss was not considerably greater.

It has sometimes been contended that, admitting all that has been previously stated to be true, the sinking fund was, notwithstanding, advantageous, from the confidence inspired by the belief in its powerful agency! We doubt, however, whether much stress can justly be laid on its operation in this respect. But, supposing that such was the case, and (which is more doubtful) that Government was warranted in encouraging a delusion of this sort, the deception might have been equally well kept up, and all the heavy expenses that have been incurred been saved, by making the Sinking Fund Commissioners subscribe to the different loans the amount of the sums that were otherwise to be borrowed on their account. By this simple and obvious device the amount of the loans to be contracted for would have been lessened, and they would consequently have been negotiated on better terms, at the

same time that the premiums on the sums paid to the Commissioners would have been saved. But though the advantages of this mode of keeping up the sinking fund are all but obvious, and were set in the clearest point of view by Mr. Grenfell many years previously, it was not adopted till 1819, when it was successfully introduced into the loan of that year.

There was only one part of Mr. Pitt's plan that was really calculated to afford the means of reducing the debt; and that was, the clause, enacted in 1792, which ordered that taxes should be imposed, not only to defray the interest of such loans as might be contracted in future, but also to provide a sinking fund of 1 per cent. on the stock so created. Had this clause been scrupulously observed, a fund would undoubtedly have been formed, which, had it been exclusively applied to that object, would ultimately have extinguished the debt contracted during the war. But it must be borne in mind, that it would have done this, not by the operation of compound interest, but simply by raising a larger amount of taxes than was required to pay the dividends on the loans, and applying the surplus to buy up the principal. A new capital of 879,289,943*l.* of funded debt was created in the interval between 1793 and 1817 *, 1 per cent. on which, exclusive of accumulations, would have been 8,792,899*l.* But, instead of having a surplus income of this amount at the end of the war, when the nominal sinking fund amounted to about fifteen millions, the clear real surplus did not amount to *two* millions; the taxes imposed to form a sinking fund on the capital of the loans having been mostly anticipated and mortgaged, by charging them with the interest of loans made in 1807, 1809, and 1813. It is indeed idle to suppose, that a surplus revenue, existing in the shape of a sinking fund, will ever be unceasingly applied to the extinction of debt. It may be so applied for a few years. But, whenever any considerable difficulty is experienced in raising taxes to defray extraordinary expense, it is all but certain that it will be diverted,

* Table, p. 457.

as all such funds have ever been, from its proper and peculiar object.

Dr. Hamilton's book was published in 1813; but such is the vitality of error, that it was not till 1829 that the triumph of principle and common sense over quackery and folly was consummated by the act 10 Geo. IV. cap. 27. This statute made an end of sham sinking funds, and enacted that thenceforth the sum to be applied to the reduction of the national debt should be the actual annual surplus revenue over the expenditure.

There is, perhaps, reason to think that the indirect operation of a real sinking fund of five or six millions, supposing it could be maintained, might be of material importance; and that by keeping, for a while, the price of the three per cents. at about par, it might enable the interest of the debt to be further reduced to two and a half or even two per cent. But this result would depend, in a great degree, on the influence of circumstances which cannot be determined *à priori*. If the pressure on the national resources should diminish, and the profits of stock, or of capital employed in industrious undertakings, be increased, the rate of interest would rise, and the funds fall below par; and, were such the case, it would be better, certainly, to remit taxes than to employ their produce in reducing the public debt. It is impossible, indeed, to form estimates beforehand of what may be the effect of any given financial operation, as any unforeseen change in the channels of industry, or in the situation of the country, may alter all the results that were anticipated. On the whole, however, we confess we are little sanguine in regard to any considerable direct reduction of the debt ever being effected; and we trust for the diminution of our burdens more to the increasing wealth and ability of the country to sustain them, than to anything else.

It has been said, and probably with no inconsiderable degree of truth, that a revenue but little above, or, perhaps, rather below the expenditure, is the best security for economy and moderation, and that the possession of a considerable surplus would be apt to bring on occasions for its misapplica-

tion. Mr. Ricardo was of opinion that a really efficient sinking fund would operate rather to encourage expenditure than to diminish debt: "There cannot," said he, "be a greater security for the continuance of peace, than the imposing on ministers the necessity of applying to the people for taxes to support a war. Suffer the sinking fund to accumulate during peace to any considerable sum, and very little provocation would induce them to enter into a new contest. They would know that, by a little management, they could make the sinking fund available to the raising of a new supply, instead of being available to the payment of the debt. The argument is now common in the mouths of ministers when they wish to lay on new taxes, for the purpose of creating a new sinking fund in lieu of one which they have just spent, to say, 'It will make foreign countries respect us; they will be afraid to insult or provoke us, when they know that we are possessed of so formidable a resource.' What do they mean by this argument, if the sinking fund be not considered by them as a *war fund*, on which they can draw in support of the contest? It cannot, at one and the same time, be employed to annoy an enemy, and to pay debt. If taxes are, as they ought to be, raised to defray the expenses of a war, what facility will a sinking fund give to the raising of them? None whatever. It is not because the possession of a sinking fund will enable them to raise new and additional taxes that ministers prize it, for they know it will have no such effect, but because they know that they will be enabled to substitute the sinking fund in lieu of taxes, and to employ it, as they have always done, in war, and in providing for the interest of fresh debt." *

In addition to the projects which have been set on foot for paying off the national debt by means of sinking funds and such like devices, it has been proposed to effect this object by assessing the capital of the country. A scheme of this sort was proposed in the reign of George I., and strongly recommended by Mr. Archibald Hutcheson, an intelligent member of the

* Art. Funding System, Encyclopædia Britannica.

House of Commons. Mr. H. estimated that a contribution of 10 per cent. on all fixed and moveable property, including, of course, the debt itself, would be sufficient for the extinction of the latter. And to carry the measure into effect he proposed that power should be given to the proprietors of estates to sell as much of them as might be required to defray their share of the assessment, notwithstanding any disability arising from settlements or entails; and they were also to be entitled to deduct 10 per cent. from all mortgages and other burdens with which they might be affected.

Were a project of this sort practicable and just, the stimulus it would give to industry and economy by making that which is now the debt of the public the debt of individuals, and the many advantages that would result from the abolition of the taxes required to defray the interest, should make it be adopted at least to some considerable extent. But it is needless to dwell on these considerations; for there can be no doubt that the project is wholly impracticable, and that, supposing it to be practicable, it would be most unjust to carry it into effect. This has been shown briefly but conclusively by Hume in his "Essay on Public Credit:"—"Mr. Hutcheson," says he, "appears not to have considered that the laborious poor pay a considerable part of the taxes by their annual consumptions, though they could not advance at once a proportional part of the sum required; not to mention that property in money and stock in trade might easily be concealed or disguised; and that visible property in lands and houses would really at last answer for the whole, an inequality and oppression which never would be submitted to. But though this project is not likely to take place, it is not altogether improbable, that when the nation becomes heartily sick of their debts, and is cruelly oppressed by them, some daring projector may arise with visionary schemes for their discharge: and as public credit will begin by that time to be a little frail, the least touch will destroy it, as happened in France during the regency; and in this manner it will *die of the doctor*."

Even had a project of this sort been practicable in 1720, when the public debt was little more than *fifty* millions, it is

now quite out of the question. The proportion of monied and other moveable and all but intangible property, as compared with that which is fixed, has increased *ten-fold* since the accession of George I.; and having previously shown that it is not practicable to make the holders of such property contribute their fair share of a moderate tax on income, we may be excused if we take for granted that it would be still more impracticable to make them contribute anything like their fair share of a very heavy tax on capital! The reasons which justified Hume in condemning this scheme in 1750 have, therefore, incomparably greater weight at this moment. The chances, indeed, are ten to one that any *bonâ fide* attempt on the part of Government to carry it into effect would end either in bankruptcy or revolution.

It will, we apprehend, be found that the best way of lessening the national debt is not by making attempts to pay it off either by sinking funds or otherwise, but by adopting such measures as may seem best fitted to give additional vigour to the productive energies of the people. Every increase of these proportionally diminishes the pressure of the debt. Although taxation were kept up for ten or a dozen years, so that there were annually *five* or *six* millions to apply to the redemption of stock, the progress made in the reduction of the debt would not be very considerable. And while it is most unlikely that any government should make such an attempt, it is still more unlikely, supposing it were made, that it should be persevered in. The desire of immediate relief from the pressure of existing burdens is too great, and the advantages to be derived from submitting to them too remote and uncertain, to allow us to suppose that any effectual progress will ever be made in the diminution of the debt by applying surplus revenue to its purchase. Even if the preference of immediate to future and contingent advantages were less certain, the occurrence of a war would at once swallow up the surplus revenue, and make it be employed to defray the interest on the loans contracted to carry it on. The imposition of new taxes entails privations, and is always unpopular; but the suspension of the

payment of the debt by mortgaging the surplus revenue or sinking fund, occasions no inconvenience to any one; and is too obvious and too tempting an expedient for getting out of the present difficulty, not to be resorted to.

And we much doubt, supposing it were practicable to maintain a surplus revenue of five or six millions for a few years, whether it would be expedient. On the contrary, we incline to think that the popular is in this instance the preferable plan; and that the national interests will be best promoted by reducing taxation to the sum necessary to meet the public exigencies, leaving it to the contributors to employ the sums remitted in taxes in any way they think best. The increase of wealth and population will be promoted by this policy. Opportunities will, most likely, be found for reducing, or it may be repealing, some of the more objectionable taxes; and according as the pressure on the national resources is lightened, industry will gain more strength; the rate of profit will be increased; and the temptation to withdraw capital from the kingdom will be diminished. The greater productiveness of industry and the greater well-being of the community, are the real sinking funds which a wise government should exert itself to build up and encourage. And this will be best done by giving all that freedom to industry that is consistent with right and justice; by fixing taxation at the amount necessary to make adequate provision for every branch of the public service; and assessing it on impartial principles, in the manner best suited to advance the public interests.

APPENDIX.

I. — Local Taxation.

By Local Taxes are usually meant taxes levied in particular districts of the country, and expended for the purposes of those districts. The existing taxes of this description in England and Wales are thus enumerated in the Report of the Poor Law Commissioners on Local Taxation *:—

"Rates of Independent Districts:—

"Poor Rate Series—Taxes on the basis of the Poor Rate.

1. Poor Rate.
2. Workhouse Building Rate.
3. Survey and Valuation Rate.
4. Jail Fees Rate.
5. Constables' Rate.
6. Highway Rate.
7. Ditto additional rate for purchase of land.
8. Ditto additional rate for law expenses.
9. Lighting and Watching Rate.
10. Militia Rate.

"Miscellaneous Taxes—Each on an independent basis.

11. Church Rate.
12. Ditto, for new churches, and repairs.
13. Burial Ground Rate.
14. Sewers Rate.
15. General Sewers Tax.
16. Drainage and Enclosure Rate.

* Report made by the Poor Law Commissioners to the Secretary of State for the Home Department, and presented to both Houses of Parliament in 1843. This Report, which, with its Appendices, comprises much important information in regard to local taxation, was, we understand, compiled by George Coode, Esq.

" Rates of Aggregated Districts.—

" County Rate Series—Taxes imposed originally on aggregated districts by some general authority, but ultimately assessed on the basis of the Poor's Rate.

17. County Rate.
18. Ditto for Lunatic Asylums.
19. Ditto for Building Shire Halls.
20. Burial of Dead Rate.
21. Hundred Rate.
22. Police Rate.
23. Borough Rate.
24. Watch Rate in Boroughs."

The local taxes leviable in England and Wales thus appear to be twenty-four in number. Practically, however, there are not twenty-four collections. Some of the rates are furnished from the funds of other rates; some are incapable, or too difficult of collection; some are required only on few occasions, or in limited localities. The Workhouse Building Rate was apparently intended to be levied as a separate impost; but owing to the inadequacy of the enactment on the subject, this has been found to be impracticable, and the payments necessary for attaining its objects have been made directly from the poor rate. The Survey and Valuation Rate is likewise incapable of distinct enforcement; and as the statute admits of an alternative resort to the poor rate, no attempt has been made to enforce it. The Jail Fees Rate seems to have been designed merely to compensate persons in office at the time of its passing (May, 1815), and to be leviable only in "cities, towns corporate, and places not contributing to the county rate, and having no town rate or public stock." Moreover, if the smallness of its amount render its separate levy inconvenient, it is to be paid out of the poor rate. The Constables' Rate has, with very few exceptions, fallen into disuse; the constables' charges (though with doubtful legality) being usually defrayed out of the poor rate, under colour of the provision in the 18 Geo. III. cap. 19. § 4. The Militia Rate is of course suspended, as the militia itself is not embodied. Drainage and Enclosure Rates are applicable only to certain places under local acts. The Burial of Dead Rate, for defraying the expenses of burying dead bodies found on the sea-shore, is necessarily confined to maritime districts. It is to be raised in the same manner as the county rate.

The law establishes three distinct imposts in regard to the Highways: one for repairing the roads, another for purchasing land, and a third for defraying law expenses. The Poor Law Commissioners observe*, however, that "the separate highway rate for the purchase of land, and the separate highway rate for law expenses, appear, so far as we can learn, never to have been made on those occasions where the law enabled them

* Report, 8vo. ed., p. 24.

to be raised; but the purposes have been more conveniently attained by the use of the common highway rate, even in cases where the amount of the latter rate has, by this addition, been made to exceed the limit fixed by law." That limit is, ten-pence in the pound at any one time, or two shillings and sixpence in the pound in any one year. A limit is also set on the rate for purchasing land, but the ambiguous phraseology of the statute renders it difficult to discover the precise amount intended. The Highway Rate is to be assessed upon the same property which was liable to contribute to the relief of the poor on 31st August, 1835; and also upon woods, mines, stone-quarries, and other hereditaments, usually rated to the highways before that date. Personal property, however, has been subsequently exempted from poor rate; but this exemption does not appear to extend legally to the highway rate. These two rates, therefore, are not altogether identical in the mode of their imposition.

Any parish may adopt the provisions of the Lighting and Watching Act (3 & 4 Will. IV. c. 90.), either as to lighting, or as to watching, or as to both lighting and watching; and in the event of such adoption, the rate is to be levied on the same property that is liable to the poor rate, though houses, buildings, and property other than land, are to contribute, as compared with land, in the proportion of three to one. This provision necessarily prevents the operation of the Act in places not maintaining their own poor.

The Poor Rate is raised under the 43 Eliz. c. 2. "by taxation of every inhabitant, parson, vicar, and other, and of every occupier of lands, houses, tithes impropriate, propriations of tithes, coal-mines, or saleable underwoods," in the parish. The importance of this tax has rendered it a subject of frequent litigation; and the terms of the statute of Elizabeth have been explained by numerous judicial decisions, affecting the liability of particular properties to contribute to the rate. The personal property of inhabitants was thus declared rateable, by implication of the courts; but this liability is suspended for the present by a temporary enactment. It will be perceived that the statute of Elizabeth imposes the rate upon two descriptions of persons,—inhabitants and occupiers; but owners of small tenements may be assessed, instead of the occupiers, under the 59 Geo. III. c. 12. § 19.; and owners, instead of the occupiers, of tithe commutation rent-charge, under 1 Vic. c. 69. § 8. The various irregularities which had crept into the mode of assessing property to the poor rate, induced the legislature, in 1836, to make provision for "establishing one uniform mode of rating for the relief of the poor throughout England and Wales;" for which purpose the Parochial Assessments Act, 6 & 7 Will. IV. c. 96., was passed. It defines the principle upon which the properties subject to the rate shall be assessed; but this definition itself is so loosely expressed, as to occasion much difficulty in its construction. It directs the rate to be made "upon an estimate of the nett annual value of the several hereditaments rated thereunto; that is to say, of the rent at which the same might reasonably be expected to let from year to year, free of all usual

tenants' rates and taxes, and tithe commutation rent-charge, if any, and deducting therefrom the probable average annual cost of the repairs, insurance, and other expenses, if any, necessary to maintain them in a state to command such rent." The statute further provides for the appointment of a professional valuer, to survey the parish, and value the rateable hereditaments, where the overseers or guardians desire it; thus leaving the most material means of correcting the previous irregularities entirely in the discretion of the parties in fault. A recent decision, moreover (Reg. *v.* Lord Yarborough, 12 A. & E. 416.), has established that the overseers are not bound to adopt the professional valuation, even when obtained.

The Church Rate, it is said by the canonists, should be laid upon lands, houses, and the like property, according to the stock which the parishioners have within the parish; and if the usage of the place sanction such a course, it should include personality and stock in trade. But a church rate made according to the poor rate, appears to have been considered just and prudent. The 3 Geo. IV. c. 72. § 20. seems to require that a separate rate should be levied for the repair of churches and chapels acquired or appropriated under that Act, or under the 58 Geo. III. c. 45., or the 59 Geo. III. c. 134.; but this object, as well as the purposes of the burial-ground rate, authorised by 3 Geo. IV. c. 72. § 26., would probably be found in practice to be usually provided for out of the ordinary church rate.

The Sewers Rate, as directed by the statute 23 Hen. VIII. c. 5., is to be charged by the Commissioners of Sewers, upon the persons through whose default the annoyances to be removed have happened, or who hold any lands or tenements, or common of pasture, or profit of fishing, or who have, or may have, any hurt or loss through such annoyances; and to be assessed "after the quantity of the lands, tenements, and rents" of such persons, "by the number of acres and perches, after the rate of every person's portion, tenure, or profit, or after the quantity of their common of pasture, or profit of fishing, or other commodities there." Both the persons and the properties subject to this impost are therefore in some degree different from those liable to the poor rate. The General Sewers Tax (4 & 5 Vic. c. 45.) is to be laid upon the "lands and hereditaments" within the jurisdiction of the several Courts of Sewers; and to be apportioned among the occupiers of the lands and hereditaments, in such proportions and upon such individuals as of right ought to pay the same. This tax, consequently, differs in its incidence from the sewers rate, which is not restricted to occupiers. It is difficult to assign a precise meaning to the words — "such individuals as of right ought to pay the same."

The "messuages, lands, tenements, and hereditaments" rateable to the relief of the poor, form the basis of the County Rate. These terms do not include the personal property of inhabitants, which was formerly liable to poor rate; but the temporary exemption of that kind of property from

the latter rate, removes the incongruity. Where, however, rates are raised for the relief of the poor, the county rate is to be collected as part of the poor rate; but where no poor rate is made, or where the poor rate does not apply separately and distinctly to any parish or place, or in the northern counties, the Justices may require the Petty Constables to collect the county rate. The levy is thus conducted: the Justices issue their warrant for the amount required to the High Constables, who collect it from the Overseers or Petty Constables of the several parishes or other places, and then pay it into the hands of the County Treasurer. The required amount is to be apportioned by the Justices among the several parishes and places within the county, rateably and equally, according to a certain pound rate, upon the full and fair annual value of the property which is rateable (or which, if there were a poor rate, would be rateable) to the relief of the poor; and, for the purpose of making this apportionment, the Justices are invested with powers enabling them to obtain valuations of the several parishes and places. There is, however, much obscurity and some inconsistency in the various statutes relating to the county rate; and it is not always easy to reconcile their provisions, or determine their exact effect. Special county rates may be levied for providing county lunatic asylums and shire-halls, on the same properties and persons, and in the same manner, as the ordinary county rate.

The Hundred Rate, for affording compensation for damages sustained in riots, ought to be levied on the same property as the county rate, or where there is no county rate, on the same as any rate in the nature of a county rate, or where there is no such fund, then on the same as the poor rate. The hundred rate is not liable in hundreds alone; but in any hundred, wapentake, ward, or other district in the nature of a hundred, — any liberty, franchise, city, town, or place, not being part of any hundred, but contributing to a county rate, — any county of a city, county of a town, liberty, franchise, city, town, or place, wherein there is any rate raised in the nature of a county rate, or fund applicable to similar purposes, — or any parish, township, district, or precinct, not contributing to a county rate, or any similar fund, but having a rate for the relief of the poor.

Where the provisions of the County and District Constabulary Acts (2 & 3 Vic. c. 93., and 3 & 4 Vic. c. 88.) have been adopted, the Police Rate is to be levied on the same properties and persons as the county rate, but limited to the police districts.

The Borough Council may order the Overseers of the parishes wholly or partly within the borough, to pay the Borough Rate out of the poor rate, or else to collect it by a pound rate upon the occupiers or possessors of all rateable property within such parishes, or parts of parishes, respectively. The Borough Watch Rate may be imposed at the discretion of the Borough Council, and is leviable from the occupiers of all lands, messuages, tenements, and hereditaments, within those parts of the borough which are watched by day and by night. The persons and pro-

perties liable to this rate differ, as will at once be seen, from those subject to the poor rate.

The foregoing summary will show that the law creates or contemplates variations, more or less considerable, in the incidence of several, at least of these different local taxes. Thus, the properties legally liable to the poor and the highway rates, though substantially similar, are not altogether the same. The church rate, probably, in strictness of law, differs partially from both; and the sewers rate, if properly imposed, would deviate still more widely from them. Nevertheless, the Poor Law Commissioners remark, as the result of their inquiries into the subject, that "these legal differences have very little operation in practice," and "that it may be generally affirmed, that the whole of our local taxation is imposed, either by law, or by usages regardless of the law, on the same basis as the poor rates."

We regret there are no means of forming any accurate estimate of the local sums annually raised under the various rates enumerated above, but it is abundantly certain that their aggregate amount must be very large. Thus the

	£
Sum levied as poor rate in 1849 amounted to . .	7,674,146
County rate in 1849–50, exclusive of payments from other rates and from the Treasury	796,475
Highway rate (probably)	1,200,000
Church rate (1839)	506,812
Total of the above rates	10,177,433

But to these rates have to be added the sums levied by tolls, &c., on highways, amounting, in 1841, to 1,574,518*l.*, with the various sums paid for light and harbour dues, corporation rates, fees on account of the administration of justice, &c. Hence the local taxation of England and Wales, exclusive of tithe, will probably not fall short of 13,000,000*l.* a-year, if it do not exceed that amount. And if to this we add the local taxation of Scotland and Ireland, the aggregate amount of the local taxes of the United Kingdom will certainly not be under 15,000,000*l.* or 16,000,000*l.* a-year, being more than double the amount of the entire revenue of Prussia!

This vast amount of local taxation is a most important feature in the economical condition of the kingdom. The Poor Law Commissioners estimate that in England only no fewer than 180,000 individuals are connected one way or other with the levy of the local taxes. Many of these render their services gratuitously; but vast numbers are paid, some by salaries, and some by a per centage on the sums collected. And there are good grounds for thinking that in many cases the accounts of the parties so employed are not subjected to any very efficient check or control, and that, consequently, there is considerable room for abuse. But the point of paramount importance in the reform of local taxation is the selection

of a proper and invariable basis on which to raise the assessment; and we have already endeavoured to show how this may be best effected (see p. 61.).

The purposes to which the local taxes are lawfully applicable (amounting to about 200) are so numerous and various, that a detailed catalogue would be tediously lengthy, and a general description almost useless. The names of the rates, as given above, usually indicate with sufficient distinctness the primary purpose of each; but this primary purpose is not always the only one to which the tax is even by law devoted. The poor rate, perhaps, is the most multifarious in its objects; comprising, besides the relief of the poor, such general measures as the registration of births and deaths, the vaccination of all classes of the community, the prosecution of certain kinds of criminals (such as the keepers of disorderly houses), the preparation of the lists of jurymen and parliamentary voters, and so forth. The county rate, again, provides for the repair of bridges, the maintenance of jails, the relief of prisoners, the payment of coroners, the prosecution of felons, and a long list of purposes besides. It may be observed generally that the several rates are designed to deal with exigencies of a most important public character; and it is therefore highly desirable that they should not only be levied with fairness, but expended with fidelity.

II.—Indian Revenue Systems.

"The land-tax constitutes the principal source of the revenue of British India, as it has always done of all Eastern states. The governments of such countries may, in fact, be said to be the real proprietors of the land. But in India, as elsewhere, the cultivators have a perpetual, hereditary, and transferable right of occupancy, so long as they continue to pay the share of the produce of the land demanded by the government. The value of this right of occupancy to the rural population depends on the degree of resistance which they have been able to oppose to the exactions of arbitrary governments. In Bengal and the adjacent provinces of India, from the peculiarly timid character of the inhabitants, and the open and exposed nature of the country, this resistance has been trifling indeed, and, consequently, the value of the right of occupancy in the peasant, or *ryot* (an Arabic word meaning subject), has been proportionally reduced. This also may be considered, though with some modifications, as being nearly the condition, in this respect, of the inhabitants of every part of the great plain of the Ganges, comprising more than half the population of Hindostan. But where the country is naturally difficult, the people have been able more effectually to resist the encroachments of the head landlord, or state, and to retain a valuable share in the property of the soil. This has been particularly the case along the ghauts, as in Bednore, Canara, Malabar, &c.; the inhabitants of which provinces not only lay

claim to a right of private property in the soil, but have been generally ready to support their claim by force of arms. There can be no question, indeed, that the same modified right of property formerly existed everywhere; and it is indeed impossible that otherwise the land should ever have been reclaimed from the wilderness. But in those parts of India which could be readily overrun by a military force, the right of property in the soil has long been little else than the right to cultivate one's paternal acres for behoof of others, the cultivators reserving only a bare subsistence for themselves.

"Under the Mogul emperors, the practice in Bengal was to divide the gross produce of the soil, on the *métayer* principle, into equal shares, whereof one was retained by the cultivator, the other going to government as rent or tax. The officers employed to collect this revenue were called *zemindars;* and in the course of time their office seems to have become hereditary. It may be remarked that, in Persian, zemindar and landholder are synonymous; and this etymology, coupled with the hereditary nature of their office, which brought them exclusively into contact with the *ryot*, or occupier, as well as with the government, led many to believe that the zemindars were in reality the owners of the land, and that the ryots were their tenants. This, however, it is now admitted on all hands, was an incorrect opinion. The zemindars in reality were tax-gatherers, and were, in fact, obliged to pay to the government *nine-tenths* of the produce collected from the ryots, retaining only one-tenth as a compensation for their trouble; and, so long as the ryots paid their fixed contribution, they could not be ousted from their possessions, nor be in anywise interfered with.

"But notwithstanding what has now been stated, the perpetual or zemindary settlement established by Lord Cornwallis in Bengal in 1793, was made on the assumption that the zemindars were the proprietors of the soil. His lordship, indeed, was far from being personally satisfied that such was really the case; but he was anxious to create a class of large proprietors, and to give them an interest in the improvement and prosperity of the country. It is clear, however, that this wish could not be realised without destroying the permanent rights of the ryots, for, unless this were accomplished, the zemindars could not interfere in the management of their estates. The interests of the zemindars, and the rights of the ryots, were plainly irreconcileable; and it was obvious that the former would endeavour to reduce the latter to the condition of tenants at will. But this necessary consequence was either overlooked or ineffectually provided against. The zemindars became, under condition of their paying the assessment or quit-rent due to government, proprietors or owners of the land. The amount of the assessment was fixed at the average of what it had been for a few years previously, and it was declared to be *perpetual* and *invariable* at that amount. When a zemindar fell into arrear with government, his estate might be either sold or resumed.

"That the assessment was at the outset, and still is, too high, cannot

well be doubted; and it must ever be matter of regret that the settlement was not made with the ryots or cultivators, rather than with the zemindars. But, notwithstanding these and other defects, the measure was, on the whole, a great boon to India. Until the introduction of the perpetual system into Bengal, the revenue was raised in it, as it continues to be in the rest of India down to the present day, by a *variable* as well as a most oppressive land-tax. We all know what a pernicious influence tithe has had in this country; but suppose that, instead of amounting to 10, tithe had amounted to 50 per cent. of the gross produce of the soil, it would have been an effectual obstacle to all improvement; and the country would now have been in about the same state as in the days of Alfred, or of William the Conqueror.

"In France, Italy, and other parts of Europe, where the *métayer* system is introduced, the landlord seldom or never gets half the produce, unless he also furnish the stock and farming capital, and, in most cases, the *seed*. But in India, neither the government nor the zemindars do anything of the sort: they merely supply the land, which is usually divided into very small portions, mostly about six, and rarely amounting to twenty-four acres. A demand on the occupiers of such patches for half the produce is quite extravagant, and hence the excessive poverty of the people, which is such as to stagger belief. Still, however, the perpetual system is vastly preferable in principle, and also in its practical influence, to any other revenue system hitherto established in India. It set limits to fiscal rapacity, and established, as it were, a rampart beyond which no tax-gatherer dared to intrude. The enormous amount of the assessment, and the rigour with which payment was at first enforced, ruined an immense number of zemindars. But their lands having come into new and more efficient hands, a better system of management was introduced, and the limitation of the government demand gave a stimulus to improvement unknown in any other part of Hindostan. This, in fact, was the grand desideratum. A land-tax that may be increased should the land be improved, is all but certain to prevent any such improvement being made. This has been its uniform operation in every country in the world that has had the bad fortune to be cursed with such a destructive impost. But a heavy land-tax, provided it be fixed and unsusceptible of increase, is no bar to improvements, unless in so far as it tends to deprive the proprietors and occupiers of land of the means of making them. There is, in such a case, no want of security, and the cultivator is not deterred from attempting improvements, or of bringing superior enterprise and industry to operate on his estate, by the fact that the tax will, in consequence, be increased.

"The truth of what is now stated has been fully evinced in Bengal during the last twenty or thirty years; for both the population and the land-revenue of that part of our Indian empire have greatly increased. A great deal of waste land has been cultivated, and various works have been undertaken that would not be so much as dreamed of in any other

part of our empire in the East. But, with all this, there has been but little, if any, improvement in the condition of the people of Bengal under our government. They in fact are practically excluded from all direct participation in the benefits resulting from the limitation of the assessment. They have merely exchanged one taskmaster for another. It is their landlords who have been the great gainers. The occupiers still, generally speaking, hold under the *métayer* principle, paying half or even more of their produce as rent; so that their poverty is often extreme, and their condition not unfrequently inferior even to that of the hired labourer, who receives the miserable pittance of two annas, or about 3*d.* a-day as wages.

"It seems, however, as if there were some strange fatality attending the government of India; and that the greatest talents and the best intentions should, when applied to legislate for that country, produce only the most pernicious projects. The perpetual settlement carried into effect by Lord Cornwallis in Bengal was keenly opposed by Lord Teignmouth, Colonel Wilkes, Mr. Thackeray, Sir T. Monro, and others, whose opinions on such subjects are certainly entitled to very great respect; and it would seem that the Board of Control became at length favourable to their views. In consequence of this change of opinion it was resolved to introduce a different system, under the superintendence of its zealous advocate, Sir Thomas Monro, into the presidency of Madras, or Fort St. George. This new system has received the name of the *ryotwar* settlement. It proceeds on the assumption that government possesses the entire property of the soil, and may dispose of it at pleasure: no middlemen or zemindars are interposed between the sovereign and the cultivators; the ryots being brought into immediate contact with the collectors appointed by government to receive their rents. It is impossible, however, to enter fully into the details of this system. They are in the last degree complicated, which of itself would be enough to show their inexpediency. The land is taxed, according to its quality, at rates varying from 6*d.* up to 70*s.* an acre. Thus, for example, if the land were mere *dry field*, without artificial irrigation, the land-tax would be about 3*s.* an acre. If it have a supply of water capable of growing rice, the tax rises to 23*s.*, or to nearly eight times the former rent; and if the irrigated land be a garden or an orchard, the tax rises to 40*s.*, or above thirteen times the tax on dry land! In the first instance, the natural and inherent fertility of the soil only is taxed; in the second, to that tax is added one on the capital and labour which the peasant or his ancestor laid out in reservoirs, canals, trenches, or wells. In the third, not only are all these taxed, but there is imposed besides an excise on fruits, garden-stuffs, and pot-herbs. But the radical vice of the system is, that the lands are not let for a considerable number of years, or for ever. On the contrary, there is a constant tampering and interference with the concerns of the ryots. It is enacted, for example, that 'at the end of each year the ryot shall be at liberty either to throw up a part of his land, or to occupy more,

according to his circumstances.' When, owing to bad crops, or other unforeseen accidents, a ryot becomes unable to pay his rent or assessment, it is declared that '*the village to which he belongs shall be liable for him to the extent of* 10 *per cent. on the rent of the remaining ryots, but no more.* And to crown the whole, the tehsildars, or native officers, employed in collecting the land-rents or revenue, have been vested with powers to act as officers of police, to impose fines, and even to inflict corporal punishment almost at discretion!

"It is really astonishing how acute and able men should have dreamed of establishing a system in an extensive and only half civilised country, that every one must see would be destructive of the industry of the tenants, and would lead to the grossest abuses, were an attempt made to introduce it into the management even of a single estate in Great Britain. Mr. Tucker, a gentleman who resided long in India, and who afterwards occupied a place in the Company's direction, animadverted on this plan as follows: —'My wish,' said he, 'is not to exaggerate; but when I find a system requiring a multiplicity of instruments, surveyors and inspectors, assessors ordinary and extraordinary; potails, curnums, tehsildars, and cutchery servants; and when I read the description given of these officers by the most zealous advocates of the system, their periodical visitations are pictured in my imagination as the passage of a flight of locusts, devouring in their course the fruits of the earth. For such complicated details, the most select agency would be required; whereas the agency we can command is of the most questionable character. We do not merely require experience and honesty to execute one great undertaking; the work is ever beginning and never ending, and calls for a perennial stream of intelligence and integrity. And can it be doubted that the people are oppressed and plundered by these multiform agents? The principle of the settlement is to take one-third of the gross produce on account of government; and in order to render the assessment moderate, Sir. T. Monro proposed to grant a considerable deduction from the rates deducible from the survey reports. But if it be moderate, how does it happen that the people continue in the same uniform condition of labouring peasants? Why do not the same changes take place here as in other communities? One man is industrious, economical, prudent, or fortunate; another is idle, wasteful, improvident, or unlucky. In the ordinary course of things one should rise and the other fall: the former should, by degrees, absorb the possessions of the latter—should become rich while his neighbour remained poor: gradations in society should take place; and in the course of time, we might naturally expect to see the landlord, the yeoman, and the labourer. And what prevents this natural progression? I should answer, the *officers of government.* The fruits of industry are nipped in the bud. If one man produce more than his fellows, there is a public servant at hand ready to snatch the superfluity. And wherefore, then, should the husbandman toil, that a stranger may reap the produce?

"'There are two other circumstances which tend to perpetuate this

uniform condition. The ryots have no fixed possession; they are liable to be moved from field to field: this they sometimes do of their own accord, for the purpose of obtaining land supposed to be more lightly assessed; at other times the land is assigned by lot, with a view to a more equal and impartial distribution of the good and the bad among the different cultivators. But these revolutions tend to destroy all local attachments, and are evidently calculated to take away one great incentive to exertion.

"'The other levelling principle is to be found in the rule which requires that the ryot shall make good the deficiencies of his neighbour to the extent of 10 per cent.; that is to the extent, probably, of his whole surplus earnings. Of what avail is it that the husbandman be diligent, skilful, and successful, if he is to be mulcted for his neighbour s negligence or misfortune? A. must pay the debt of B. If a village be prosperous it matters little, for the next village may have been exposed to some calamity; and from the abundance of the one we exact wherewithal to supply the deficiency of the other. Is it possible to fancy a system better calculated to baffle the efforts of the individual, to repress industry, to extinguish hope, and to reduce all to one common state of universal pauperism?'—(*Review of the Financial Policy of the E. I. Company*, p. 134.)

"This system is understood to have been adopted by the authorities in India and England, in the expectation of enabling the government to participate in the advantages resulting from the improvement of the old lands, and from the bringing of new or waste land into cultivation. But it is clear, as well from the experience of Madras itself as of all other countries in which it has been tried, that a continually varying land-tax is an insuperable barrier to all improvement; and that it is, in fact, a powerful cause, not of advancement, but of poverty and barbarism. But the power of periodically revising the assessment might be retained without perpetually tampering with the occupiers. The only effect of this is to paralyse industry, to make those who are not poor counterfeit poverty, and to hinder any outlay of capital on the land. To obviate these disastrous consequences, the proper plan would be to assess the occupiers at a reasonable rate, and to make the assessment invariable for a period of at least forty or fifty years. An arrangement of this kind would give the ryots that security of which they are now wholly destitute; and would, we are bold to say, do ten times more to improve the Presidency than all the other measures it is possible to adopt, save that of making the assessment perpetual. This plan is, in fact, beginning to be tried in some parts of India; and it has, we are assured, been attended with the best results.

"The land revenue in most parts of British India is assessed under one or other of the systems now described; but in some parts of the Bengal provinces, in the ceded districts on the Nurbudda, and in the greater number of the native states, a different plan is adopted, which has received the name of the *village system*. This system, though defective in many

respects, is incomparably superior to the ryotwar system, and, in some points, is even preferable to the perpetual system. It is a settlement made between the government and the cultivators, through the medium of the native village officers, who apportion the assessment without any direct interference on the part of the government functionaries. (See Art. Bombay Presidency, Geog. Dict., for a short notice of this system of assessment.) It is difficult to state the proportion of the produce of a village paid to government. The authorities know little of the precise property of any of the proprietors: it is not the interest or the wish of the village that they should; and if any member of the community fail to pay his share, that is a matter for the village at large to settle, and they usually come forward and pay it for him. These, however, are private arrangements; and the *mocuddim*, or headman, through whom the government settles with the cultivators, has no power from government to enforce the assessment on the particular defaulter. The tax to be paid by each villager is settled by the villagers amongst themselves; the total assessment being calculated after inquiry into the property of the village — what it has paid and what it can pay — regular surveys of the village boundaries, and of its lands, having been previously made by government. The *mocuddim* or *potail* (headman) is elected by the villagers; and if the latter become dissatisfied with him they turn him out of office. This system may have, and doubtless has, its disadvantages: the potails may, from various motives, unequally assess the villagers; and the tendency to cultivate waste lands will not be so strong as under the perpetual settlement; but the latter effect is much more likely to be brought about under this than under the ryotwar system; nor does the village system involve the same inquisitorial acts on the part of government. If the amount of the tax charged on a village under this system were not too high, and if the amount when once fixed were made perpetual or invariable, for a period of at least forty or fifty years, it would probably be as good a plan as could be devised for the assessment of the land-tax.

"We may in this place compare the respective results which have followed under the different revenue systems, but especially where the permanent and ryotwar systems of taxation have been established. In 1793-94, the total gross revenue of the four provinces of Bengal, Bahar, Orissa, and Benares, was 4,129,948*l.*, of which 3,012,580*l.* consisted of land-tax, only 2,873,714*l.* being, however, actually collected. In 1837-38, the total *gross* revenue amounted to 8,842,723*l.*, or to more than double its amount in 1793-94. The land-tax in 1837-38 amounted to 3,377,903*l.*, which was almost all collected. The produce of the other branches of revenue amounted, in 1837-38, to no less than 5,464,820*l.*, being nearly *five* times the produce in 1792-93, when the perpetual settlement was organised! It should also be observed, that Bengal, which but a short time previously to 1793 had been the theatre of a most frightful famine, has not since been afflicted with even a year of remarkable scarcity; while both famines and scarcities have been frequent in every

other part of our dominions in Hindostan. In 1793, the highest estimate of the population of these provinces, exclusive of Benares, was 24,000,000; in 1825 it had risen to 37,500,000, or increased by more than a half in thirty-two years.

"In the Madras presidency, the land-tax, in 1805-6, amounted to 3,469,977*l.*; in 1814-15 to 3,439,193*l.*; and in 1837-38 to only 3,149,781*l.*! being a decline of 320,000*l.* a-year; whereas the land-tax in Bengal during the same period had increased more than half a million! But how could it be otherwise? In Madras, the tax, besides being assessed in the worst possible manner, is oppressively high; indeed, the land-tax paid by that Presidency is almost equal to that paid by the far richer and wealthier country of Bengal, Bahar, Orissa, and Benares, with more than double its population! The other taxes in Madras are also more onerous than in Bengal; and several, such as a monopoly of tobacco, a tax on fruit-trees, on cow-dung used as fuel, and on arts and professions, are unknown in the latter. But notwithstanding, while in Bengal the land-tax amounts to little more than a third, it amounts in Madras to fully three-fourths of the total revenue of the Presidency.

"In the upper provinces of Bengal, now forming the government of Agra, where both the ryotwar and village systems prevail, and where the population is estimated to be about 18,000,000, or not quite half that of the four provinces of Bengal, Bahar, Orissa, and Benares, the land-tax, in 1806-7, was 2,103,410*l.*; in 1811-12 it was raised to 2,665,484*l.*; in 1819-20 to 3,061,932*l.*; and in 1829-30 to 3,766,566*l.* In the short space of twenty-two years, the tax had therefore been augmented by *the enormous sum* of 1,663,156*l.* But this augmentation proved to have been a great deal too rapid; for in 1834-35 the land-tax realised in the upper provinces sank to 3,398,024*l.*, at the same time that the other branches of revenue amounted to only 796,867*l.*, making the land-tax 81 parts in 100 of the whole revenue. Two years afterwards a dreadful famine broke out in the Agra provinces; and not only was little or no revenue collected, but the tax receivers had to dole out relief to the tax-payers. In the Bombay presidency, where fluctuating assessments prevail, the land tax, in 1837-38, amounted to 1,727,717*l.*, collected at an expense of 284,717*l.*, or about 1-6th part of its gross produce. The gross amount of all the other branches of the Bombay revenue amounted, during the same year, to only 389,119*l.*

"These statements conclusively demonstrate the vast superiority of the perpetual settlement, not merely as respects the prosperity of the country and the inhabitants, but also as a financial engine. Had the perpetual settlement been adopted in Madras when it was adopted in Bengal, we venture to say that the revenue of the former, instead of remaining stationary, or retrograding, would have advanced quite as rapidly as in the latter, while the population and wealth of the Presidency would have been proportionally increased.

"Besides the lands subject to the foregoing systems of assessment, a

considerable extent of land in India is held rent-free. Throughout Hindostan, and indeed, we believe, throughout Asia, China perhaps excepted, a considerable portion of the land-tax is assigned to a great variety of parties, and for various purposes. Lands have been given to public officers as the reward of their services; to men of learning; to the favourites of sovereigns; for the maintenance of civil and military public establishments; and for the endowment of charitable, educational, and religious institutions. The grants, especially those for the use of temples, mosques, and shrines, were in perpetuity; and others became so through the usage of India. Inscriptions on stone and brass, found in most parts of India, attest the antiquity of these grants. One of them is supposed to be nearly coeval with the invasion of Britain by Julius Cæsar, and hundreds are of dates antecedent to the Norman invasion.—(*Asiat. Researches*, i.; *Trans. of the Royal Asiat. Soc.*, passim.) The extent of these free-tenure lands throughout India is very great. In the ceded territory under the Madras Presidency, comprising an area of 26,000 square miles, they amount, as estimated by Sir T. Monro, to one-fifth part of the entire surface. In the N. W. provinces of the Bengal Presidency (now Agra), embracing an area of 66,000 square miles, the free-tenure lands were ascertained by the British commissioners to amount to 44,951,770 begahs, the land-tax of which, if assessed in the usual manner, would have amounted to 1,236,000*l.* From an inquiry made in 1777, it appeared that the rent-free lands in Bengal Proper amounted to 8,575,942 begahs, or 2,164,554 acres, which would have yielded a tax of 1,256,390*l.* a year. It is deserving of notice, that the rent-free lands under the Agra Presidency were at the very threshhold, as it were, of the Mohammedan power; and the territory in which they are included was in the possession of the Mohammedans *for six centuries*. But notwithstanding their bigotry and despotism, they respected the free tenures. They also, much to their honour, respected them in a singular degree in Bengal, where most of them had originally consisted of tracts of waste or wild land, reclaimed by the labour and capital of the grantees, or their heirs and successors. Lord Cornwallis, and the Indian council of his day, confirmed the possession of the rent-free lands to their holders, on the same perpetual tenure as the taxed lands; and it was enacted that those that held under a free tenure prior to 1765 should remain untaxed 'for ever.' It has been said that the present Indian government has manifested a strong disposition to seize upon the rent-free lands, or to subject them to a system of taxation; but, as a proceeding of this sort would be a flagrant violation of a solemn engagement, we do not believe that there is any real foundation for the statement."—(Geographical Dictionary, Art. India, British.)

III. Account of the Public Income of the United Kingdom; specifying its different Sources, and the derived from each, during 1848, 1849, and 1850.

INCOME.	1848.		1849.		1850.	
CUSTOMS AND EXCISE.	£	£	£	£	£	
Spirits { Foreign	1,233,438		1,675,518		1,430,298	
Spirits { Rum	1,154,156		1,110,931		1,099,950	
Spirits { British	5,155,475		5,757,336		5,909,381	
Malt	5,225,072		4,964,067		5,391,521	
Hops	392,381		213,722		319,258	
Wine	1,732,295		1,767,516		1,821,123	
Sugar and Molasses	4,711,272		4,126,505		4,114,134	
Tea	5,329,992		5,471,422		5,596,961	
Coffee	709,632		612,520		565,660	
Tobacco and Snuff	4,350,733		4,108,018		4,410,323	
		30,324,446		30,167,585		30,0
Butter	140,105		137,841		158,081	
Cheese	106,089		96,938		84,497	
Currants and Raisins	478,662		492,791		490,682	
Corn	767,668		561,181		467,881	
Silks	274,506		253,447		218,718	
Paper	750,564		815,375		858,598	
Soap	991,523		1,027,023		1,066,172	
Candles and Tallow	99,530		91,620		77,261	
Coals, sea-borne	4,193		2,944		975	
Glass	8,062		8,732		10,705	
Bricks, Tiles and Slates	455,816		456,453			
Timber	737,235		618,456		665,910	
Excise Licences	1,103,436		1,107,890		1,130,175	
Post-horse Duties	152,605		150,993		150,010	
Hackney Carriages	70,409		73,235		79,208	
Stage Carriages	196,871		188,785		195,580	
Railways	232,270		255,175		251,215	
Miscellaneous of Customs and Excise	743,060		781,895		716,017	
		7,312,737		7,104,377		6,6
Total Customs and Excise		37,637,183		37,271,962		37,2
STAMPS.						
Deeds and other Instruments	1,751,883		1,738,435		1,553,316	
Probates and Legacies	2,157,608		2,568,625		2,248,206	
Insurance { Marine	165,650		158,563		162,769	
Insurance { Fire	1,064,190		1,080,972		1,101,852	
Bills of Exchange, Bankers' Notes	559,464		560,539		576,684	
Newspapers and Advertisements	363,353		359,233		362,224	
Stage Coaches						
Receipts	185,281		206,327		169,570	
Other Stamp Duties	556,611		540,573		529,110	
		6,785,050		7,013,267		6,7
ASSESSED AND LAND TAXES.						
Land Taxes	1,158,215		1,159,323		1,159,387	
Windows	1,659,676		1,687,125		1,708,025	
Servants	205,751		206,634		201,947	
Horses	304,380		299,907		292,944	
Carriages	416,191		411,678		402,622	
Dogs	147,719		148,227		150,075	
Additional 10 per cent.	289,011		291,010		302,490	
Other Assessed Taxes	327,125		318,706		315,220	
		4,508,161		4,522,910		4,5
Property and Income Tax		5,485,164		5,564,835		5,5
Post Office		2,143,680		2,165,350		2,2
Crown Lands		362,501		351,075		3
Other Ordinary Revenue, and other Resources		494,471		757,995		7
Money from China, under Treaty of August, 1842		539,305				
Excess of Expenditure over Income		1,034,919				
Total Income		58,990,734		57,647,392		57,4

ACCOUNT of the Expenditure of the United Kingdom during 1848, 1849, and 1850; specifying the different Items and the Amount of each.

EXPENDITURE.	1848.		1849.		1850.	
	£	£	£	£	£	£
REVENUE: — *Charges of Collection.*						
Civil Departments { Customs	677,112	- -	678,451	- -	666,525	
Civil Departments { Excise	705,793	- -	658,242	- -	645,444	
		1,382,905		1,336,693		1,311,969
Preventive Service, Land Guard, Revenue, Police Cruizers, and Harbour Vessels	- -	564,810	- -	554,288	- -	521,980
		1,947,715		1,890,981		1,833,949
Stamps	- -	144,930	- -	132,316	- -	134,639
Assessed Taxes	- -	317,546	- -	317,371	- -	305,622
Other Ordinary Revenues	- -	60,066	- -	62,288	- -	58,766
Superannuation and other Allowances	- -	366,731	- -	379,069	- -	402,569
TOTAL REVENUE	- -	2,856,788	- -	2,782,025	- -	2,735,545
PUBLIC DEBT.						
Interest on Permanent Debt	23,908,679	- -	23,920,345	- -	23,878,803	
Terminable Annuities	3,795,076	- -	3,725,994	- -	3,731,525	
Management	69,434	- -	71,597	- -	71,756	
	27,773,189		27,717,956		27,687,884	
Interest on Exchequer Bills	790,328	- -	606,025	- -	403,706	
TOTAL DEBT	- -	28,563,517	- -	28,323,961	- -	28,091,590
CIVIL GOVERNMENT: — *Civil List — Privy Purse.*						
Salaries of the Household and Tradesmen's Bills	371,800	- -	371,800	- -	371,800	
The Allowances to the several Branches of the Royal Family, and to his Royal Highness Leopold Prince of Coburg (now King of the Belgians) *	284,286	- -	249,000	- -	173,275	
The Lord Lieutenant of Ireland's Establishment	26,400	- -	26,404	- -	26,424	
The Salaries and Expenses of the Houses of Parliament (including Printing)	103,576	- -	133,666	- -	170,616	
Civil Departments, including Superannuation Allowances	553,067	- -	607,747	- -	616,767	
Other Annuities, Pensions, and Superannuation Allowances on the Consolidated Fund, and on the Gross Revenue	245,770	- -	255,980	- -	231,714	
Pensions, Civil List	10,245	- -	11,600	- -	11,481	
TOTAL CIVIL GOVERNMENT	- -	1,594,944	- -	1,656,197	- -	1,602,105
JUSTICE.						
Courts of Justice	931,709	- -	765,685	- -	677,793	
Police and Criminal Prosecutions	871,590	- -	893,927	- -	879,818	
Correction	521,342	- -	745,852	- -	841,574	
TOTAL JUSTICE	- -	2,327,641	- -	2,405,461	- -	2,399,185
DIPLOMATIC.						
Foreign Ministers' Salaries and Pensions	166,492	- -	160,833	- -	159,285	
Consuls' Salaries and Superannuation Allowances	137,028	- -	129,413	- -	139,798	
Disbursements, Outfit	22,332	- -	30,666	- -	30,509	
TOTAL DIPLOMATIC	- -	325,852	- -	320,912	- -	329,592
FORCES.						
Army — Effective — Number of Men	(115,061)	- -	(103,842)	- -	(99,012)	
Army — Effective — Charge	4,547,624	- -	4,290,147	- -	4,146,609	
Army — Non-effective — Number of Men	(75,755)	- -	(73,406)	- -	(72,153)	
Army — Non-effective — Charge	2,329,661	- -	2,258,962	- -	2,255,274	
TOTAL ARMY	- -	6,647,285	- -	6,549,109	- -	6,401,883
Navy — Effective — Number of Men	(44,685)	- -	(40,118)	- -	(39,316)	
Navy — Effective — Charge	6,554,805	- -	5,548,969	- -	5,071,608	
Navy — Non-effective — Number of Men	(19,438)	- -	(18,824)	- -	(18,754)	
Navy — Non-effective — Charge	1,567,482	- -	1,595,428	- -	1,366,275	
TOTAL NAVY	- -	7,922,287	- -	6,942,597	- -	6,437,883
Ordnance — Effective — Number of Men	(12,548)	- -	(13,282)	- -	(13,510)	
Ordnance — Effective — Charge	2,910,201	- -	2,168,762	- -	2,387,616	
Ordnance — Non-effective — Number of Men	(603)	- -	(575)	- -	(569)	
Ordnance — Non-effective — Charge	165,923	- -	163,269	- -	165,562	
TOTAL ORDNANCE	- -	3,076,124	- -	2,332,031	- -	2,553,178
TOTAL FORCES	- -	17,645,695	- -	15,823,537	- -	15,392,944
Kaffir War	- -	1,100,000				
Bounties, &c. for promoting Fisheries	- -	12,513	- -	11,009	- -	16,149
Public Works	- -	706,243	- -	600,478	- -	601,364
Payments out of the Revenue of Crown Lands, for Improvements and various Public Services	- -	152,084	- -	123,376	- -	129,985
Post Office: Charges of Collection and other Payments	- -	1,392,941	- -	1,314,258	- -	1,447,058
Quarantine and Warehousing Establishments	- -	145,834	- -	138,566	- -	147,537
Miscellaneous, not classed under the foregoing Heads	- -	2,186,679	- -	2,997,673	- -	2,070,880
		58,990,734		55,480,656		54,938,534
Surplus of Income over Expenditure	- -	- -	- -	2,166,736	- -	2,193,262
TOTAL EXPENDITURE	- -	58,990,734	- -	57,647,392	- -	57,131,796
Memorandum:						
The Amount of Terminable Annuities on 5th January was	- -	3,742,742	- -	3,735,099	- -	3,808,862
In corresponding Perpetuities, as estimated by Mr. Finlaison	- -	1,286,388	- -	1,231,727	- -	1,199,815
DIFFERENCE	- -	2,456,354	- -	2,503,372	- -	2,609,047

* No part of this Income is at present paid for the use of King Leopold. The trustees, after discharging certain annuities and pension the establishment of the late Princess Charlotte, repay the balance of the annuity to the Exchequer; the sum so repaid in the last year as 36,000*l*.

EXPENDITURE.	1848.			1849.			1850.		
No. 1. CHARGES OF COLLECTION.	£	£	£	£	£	£	£	£	£
Customs:									
Salaries and allowances	462,815			462,588			452,449		
Day pay	143,082			142,401			138,698		
Allowances for special services & travelling charges	17,559			19,337			19,111		
Tradesmen's bills, buildings and repairs	16,778			17,716			17,010		
Rent, taxes, and tithes	15,158			15,449			16,229		
Law charges	7,587			3,911			5,766		
Stationery, printing, postage, &c.	4,736			5,329			5,427		
Other payments	9,597			11,717			11,556		
		677,112			678,451			666,525	
Excise:									
Salaries and allowances	623,397			575,909			545,105		
Day pay	1,661			2,159			1,721		
Allowances for special services & travelling charges	18,053			19,199			22,221		
Tradesmen's bills, buildings and repairs	13,802			11,236			25,134		
Rent, taxes, and tithes	11,261			11,309			10,063		
Law charges	6,158			3,159			2,997		
Stationery, printing, postage, &c.	9,323			9,839			9,294		
Other payments	22,158			25,432			28,919		
		705,795			658,242			645,444	
			1,382,905			1,336,693			1,311,9
Preventive Service:									
Water Guard, Customs:									
Salaries and allowances	101,511			102,671			102,577		
Day pay	263,112			267,232			265,767		
Allowances for special services and travelling charges	2,896			2,189			3,282		
Tradesmen's bills, buildings and repairs, victualling and stores	18,112			17,838			17,062		
Rent, taxes, and tithes	11,154			11,426			12,678		
Other payments	3,165			3,417			3,158		
		400,280			405,103			404,504	
Land Guard, Customs:									
Salaries and allowances	14,323			10,298			1,652		
Other payments	1,123			3,074			341		
		15,446			13,372			1,993	
Harbour Vessels, Customs:									
Salaries and allowances	2,093			1,727			1,362		
Repairs, victualling, and stores	4,197			2,804			3,039		
		6,290			4,531			4,671	
Revenue Cruisers, Customs:									
Salaries and allowances	33,351			31,171			23,936		
Repairs, victualling, and stores	59,299			44,589			38,316		
Other payments	2,014			1,994			1,543		
		94,664			77,744			63,794	
Revenue Cruisers, Excise:									
Sundry payments	716			14			1,423		
Expenses attending the revenue police in Ireland	47,414			55,524			45,595		
		48,130			55,538			47,018	
			564,810			554,288			521,98
Stamps:									
Salaries and allowances	68,974			59,686			64,571		
Poundage and salary to distributors	47,481			44,981			41,866		
Special services and travelling charges	3,931			3,140			1,711		
Tradesmen's bills, buildings and repairs	2,164			3,185			2,705		
Rent, taxes, and tithes	461			433			432		
Law charges	1,185			1,849			1,517		
Stationery, printing, postage, &c.	7,407			6,969			7,256		
Other payments	13,027			12,175			11,501		
		144,930			132,316			134,639	
Taxes:									
Salaries and allowances	83,648			75,257			77,062		
Poundage	178,033			188,826			184,198		
Special services and travelling charges	44,863			42,422			32,050		
Tradesmen's bills, buildings and repairs	832			852			823		
Rent, taxes, and tithes	368			362			223		
Law charges	842			5			6		
Stationery, printing, postage, &c.	4,714			5,221			4,824		
Other payments	4,046			4,426			4,136		
		317,346			317,571			303,622	
			462,276			449,687			438,26

EXPENDITURE.	1848.			1849.			1850.		
CHARGES OF COLLECTION.	£	£	£	£	£	£	£	£	£
oods, Forests, and Works:									
Salaries and allowances	28,310			29,116			29,100		
Poundage	7,060			8,525			7,579		
Tradesmen's bills	3,242			4,758			3,710		
		38,612			42,397			40,389	
Salaries to warders, rangers, &c.	9,919			9,209			8,856		
Ancient pensions and payment to schools, including payments transferred from civil list	11,147			10,594			9,429		
		21,366			19,803			18,285	
			59,978			62,200			58,674
Miscellaneous:									
Poundage of 1*s.* 6*d.* in the pound on salaries, offices, and pensions			88			88			92
Superannuation or retired allowances:									
Customs	130,373			136,760			151,505		
Excise	137,501			142,660			142,756		
Stamps	5,920			9,417			9,757		
Taxes	8,801			8,262			11,531		
Woods, Forests, and Works	5,255			5,295			5,071		
		287,863			302,594			320,578	
Compensation allowances for offices abolished, reduced or consolidated, or for loss of fees or patent offices abolished:									
Customs	25,046			25,839			28,625		
Excise	17,412			17,514			17,148		
Stamps	4,851			5,158			6,470		
Taxes	12,038			11,065			9,828		
Woods, Forests, and Works	2,505			2,251			2,628		
		61,852			59,830			64,999	
Pensions to wounded men, widows, and children, and allowances payable out of the late charitable fund:									
Customs	6,695			6,706			6,772		
Excise	10,321			10,139			10,020		
		17,016			16,845			16,792	
			366,731			379,060			402,369
Total Charges of Collection on the Revenue			2,836,788			2,782,025			2,733,345
No. 2. PUBLIC DEBT.									
Interest on permanent debt	23,908,679			23,920,345			25,878,803		
Terminable annuities	3,795,076			3,725,991			3,737,325		
Management	69,431			71,597			71,756		
		27,773,189			27,717,936			27,687,884	
Interest on Exchequer Bills		790,528			606,025			405,706	
Total Debt			28,563,517			28,323,961			28,091,590
No. 3. CIVIL GOVERNMENT.									
Privy purse; salaries of the Household; tradesmen's bills		371,800			371,800			371,800	
Allowances to Her Majesty Adelaide, the Queen Dowager, to the several branches of the Royal Family, and to Royal Highness, Leopold, Prince of Coburg now King of the Belgians)*		281,286			249,000			173,273	
The Lord Lieutenant's Establishment, Ireland:									
Salary to the Lord Lieutenant	20,000			20,000			20,000		
Establishment	6,100			6,404			6,424		
		26,100			26,404			26,424	
Houses of Parliament:									
Speaker of the House of Commons' salary	5,000			5,000			5,000		
Salaries and expenses; Officers of two Houses of Parliament	38,873			58,375			110,849		
Printing; Houses of Parliament	59,503			70,291			54,797		
		103,376			133,666			170,646	

* No part of this income is at present paid for the use of King Leopold. The trustees, after discharging certain annuities and pensions to servants and establishment of the late Princess Charlotte, repay the balance of the annuity to the Exchequer: the sum so repaid in the last year was 36,000*l.*

EXPENDITURE.	1848.			1849.			1850.		
	£	£	£	£	£	£	£	£	£
CIVIL GOVERNMENT.									
Civil Departments:									
Treasury	56,916			58,336			56,286		
Home Department	16,295			26,772			21,780		
Foreign Department	72,214			77,703			71,896		
Colonial Department	28,949			29,852			34,800		
Privy Council Office and Board of Trade	41,661			40,150			42,256		
Audit Office	53,166			50,853			49,896		
Exchequer and Pay Office; Civil Services and Exchequer Bill Office	15,127			9,168			8,584		
National Debt Office	13,680			13,700			13,610		
Mint	28,884			20,811			19,900		
State Paper Office, and Record Offices	15,574			15,252			14,090		
Office of Public Works, and West India Relief	1,270			1,145			1,145		
Office of Commissioners for Building Churches	3,000			3,000			6,000		
Board of Education, Ireland	601			601			602		
Office of Paymaster of Civil Services in Ireland	5,589			5,577			6,260		
Officers of the late Irish Treasury	183			183			183		
Office of Public Works, Ireland	35,224			42,513			34,249		
Keeper of the State Papers, Ireland	446			446			446		
Keeper of the Records, Ireland	1,446			1,446			1,446		
Chief and Under Secretary's Office, Dublin Castle	23,109			22,231			23,762		
Paymaster-General's Office	27,222			21,600			24,800		
Registrar of Births, Deaths, and Marriages	40,118			39,851			40,824		
Salary of Lord Privy Seal	1,500			2,000			2,500		
Office of Metropolitan Buildings	3,568			3,528			3,000		
Railway Department	11,200			7,346			7,922		
General Board of Health				11,658			18,011		
Central Board of Health, Ireland				1,415			1,355		
Superannuation allowances	45,542			88,637			98,162		
Inspectors and Superintendents of Factories	10,453			11,700			10,679		
		553,067			607,747			616,767	
Annuities and Pensions for Civil, Military, and Judicial Services granted by various Acts of Parliament:									
For naval and military services	34,244			32,500			32,500		
Civil services, including superannuation allowances	45,061			44,569			43,765		
Judicial services	34,082			32,491			34,160		
Servants of their Majesties King George and Queens Charlotte and Caroline	7,758			7,563			6,813		
Pensions formerly on civil list, and 4½ per cent. duties	65,640			62,736			61,716		
On the consolidated fund, Ireland	38,691			36,024			32,436		
	225,476			215,686			211,420		
Payable out of gross revenue under acts of parliament	20,294			20,294			20,294		
		245,770			235,980			231,714	
Pensions on the civil list (5th class)		10,245			11,600			11,181	
Total civil government			1,594,911			1,636,197			1,602,103
No. 4. JUSTICE.									
England: Courts of Justice:									
Vice-Chancellor	6,000			6,000			5,057		
Master of the Rolls	7,000			7,000			7,000		
Chief and Puisne Judges:									
Queen's Bench	28,000			28,000			28,000		
Common Pleas	28,000			28,000			27,773		
Exchequer	27,243			27,243			27,243		
Clerk of the Hanaper	5,000			2,095					
Insolvent Debtors' Court	10,000			9,900			10,100		
Inspectors of Prisons	15,205			4,858			120		
Charges formerly paid out of the county rates	157,213			316,111			226,841		
Judge of the High Court of Admiralty	4,000			4,000			4,000		
Revising Barristers	17,850			17,850			17,850		
Salaries under various acts	9,690			9,089			9,411		
Compensation allowances, &c., 1 Will. 4. c. 58.	71,146			64,268			73,925		
Clerk of the Crown, Court of Chancery	1,000			1,000			1,000		
Assistant Judge of the Court of Sessions of Middlesex	1,200			1,200			1,200		
Salaries to county treasurers, 9 & 10 Vict. c. 95.	9,800			9,800			9,875		
		698,317			536,394			449,695	

EXPENDITURE.	1848.			1849.			1850.		
JUSTICE.	£	£	£	£	£	£	£	£	£
Scotland: paid out of the gross revenue for the judicial establishment	- -	91,309	- -	- -	91,156	- -	- -	90,157	
Ireland: Courts of Justice:									
Lord Chancellor	8,000	- -	- -	8,000	- -	- -	8,000		
Master of the Rolls	3,969	- -	- -	3,969	- -	- -	3,969		
Masters in Ordinary and others, Court of Chancery	16,009	- -	- -	17,376	- -	- -	17,769		
Judges of the Court of—									
Queen's Bench	23,155	- -	- -	27,522	- -	- -	23,461		
Common Pleas	20,948	- -	- -	22,865	- -	- -	21,090		
Exchequer	23,958	- -	- -	25,555	- -	- -	24,700		
Judge of the Prerogative Court	000	- -	- -	3,000	- -	- -	3,000		
Judge of the Admiralty Court	500	- -	- -	500	- -	- -	500		
Clerk of the Court of Errors	267	- -	- -	267	- -	- -	267		
Commissioners' Court of Appeals	1,475	- -	- -	1,289	- -	- -	737		
Insolvent Debtors' Court	8,697	- -	- -	8,688	- -	- -	8,372		
Lodging money to Judges	1,620	- -	- -	1,520					
The two Chief Examiners, for their salaries and clerks	1,607	- -	- -	1,610	- -	- -	1,588		
Chief Serjeant-at Arms, deficiency of fees	1,438	- -	- -	1,438	- -	- -	1,438		
Compensation allowances, 7 & 8 Vict. c. 107.	14,784	- -	- -	8,148	- -	- -	13,959		
Taxing Officers	2,415	- -	- -	2,415	- -	- -	2,338		
Registrars to the Judges	5,253	- -	- -	5,253	- -	- -	5,253		
Judges attending Special Commission, 40 Geo. 3. c. 69.	5,000	- -	- -	2					
Judges attending assizes, 41 Geo. 3. c. 88.	- -	- -	- -	738	- -	- -	1,520		
		142,053			138,153			137,941	
		931,709			765,685			677,793	
England: Police and Criminal Prosecutions:									
Police offices	60,285	- -	- -	54,812	- -	- -	54,249		
Metropolitan police	71,486	- -	- -	79,245	- -	- -	80,526		
Mint prosecutions	11,300	- -	- -	8,000	- -	- -	7,000		
Law charges	19,000	- -	- -	23,000	- -	- -	12,000		
Sheriff's convictions, &c.	16,000	- -	- -	14,199	- -	- -	17,940		
Scotland: criminal prosecutions	15,000	- -	- -	10,000	- -	- -	15,000		
Ireland: barristers of counties	15,028	- -	- -	15,028	- -	- -	13,028		
Criminal prosecutions	69,026	- -	- -	65,158	- -	- -	55,200		
Police and watch of Dublin	56,000	- -	- -	56,600	- -	- -	38,100		
Constabulary police	551,850	- -	- -	574,500	- -	- -	567,225		
Ditto superannuation allowances, 10 & 11 Vict. c. 100	6,615	- -	- -	15,587	- -	- -	17,750		
		874,590			893,927			879,818	
England: Correction:									
Convicts at home and abroad	126,201	- -	- -	106,508	- -	- -	32,492		
Bills drawn from New South Wales	158,000	- -	- -	202,000					
Milbank Prison	46,684	- -	- -	7,465					
Criminal Lunatics	4,432	- -	- -	4,172					
Prison, Isle of Wight	13,812	- -	- -	3,155					
Model Prison Pentonville	18,307	- -	- -	2,204					
Ireland: Officers of Prisons	3,505	- -	- -	3,151	- -	- -	2,763		
Expenses of removing convicts	3,614	- -	- -	4,721	- -	- -	4,532		
Salary to process servers	9,850	- -	- -	9,777	- -	- -	9,694		
Expenses of convicts	27,047	- -	- -	17,682	- -	- -	178		
Maintenance of convicts	13,800	- -	- -	265					
Scotland: salaries to sheriffs, and other expenses	96,067	- -	- -	88,428	- -	- -	95,700		
The Grants for Prisons and Convict Services were, in 1849, classed under the following heads; viz.									
General superintendence	- -	- -	- -	6,597	- -	- -	15,262		
Government prisons and convict establishments at home	- -	- -	- -	145,426	- -	- -	201,107		
Maintenance of prisoners in county gaols and Bethlem Hospital	- -	- -	- -	9,317	- -	- -	161,026		
Expenses of transportation	- -	- -	- -	14,175	- -	- -	78,598		
Convict establishments in the colonies	- -	- -	- -	120,509	- -	- -	240,222		
		521,342			745,852			811,574	
Total Justice	- -		2,327,641			2,405,464			2,399,185

EXPENDITURE.	1848.			1849.			1850.		
	£	£	£	£	£	£	£	£	£
No. 5. DIPLOMATIC.									
Salaries: Ministers at foreign courts	122,372			128,870			127,795		
Pensions	32,920			31,963			31,490		
		155,292			160,833			159,285	
Consuls-General & Consuls' salaries	118,970			115,690			124,190		
Consuls-General & Consuls' pensions	18,058			15,725			15,608		
		137,028			129,415			139,798	
Disbursements, outfit, and equipage		6,100			12,166			12,509	
Extraordinary expenses of ministers at foreign courts		16,254			18,500			16,000	
Total Diplomatic			325,852			320,912			320,592
No. 6. FORCES.									
Army:									
Effective, number of men		(113,061)			(105,542)			(99,042)	
Effective, charge	4,317,623			4,290,147			4,146,609		
Non-effective, number of men		(73,735)			(73,406)			(72,133)	
Non-effective, charge	2,329,661			2,258,962			2,255,274		
		6,647,285			6,549,109			6,401,883	
Navy:									
Effective, number of men		(44,685)			(40,118)			(39,316)	
Effective, charge	6,551,835			5,548,969			5,071,608		
Non-effective, number of men		(19,458)			(18,824)			(15,754)	
Non-effective, charge	1,367,482			1,393,428			1,356,276		
		7,922,987			6,942,397			6,427,883	
Ordnance:									
Effective, number of men		(12,548)			(13,282)			(13,510)	
Effective, charge	2,970,201			2,168,762			2,387,616		
Non-effective, number of men		(905)			(575			(569)	
Non-effective, charge	165,925			163,269			165,562		
		3,076,124			2,332,031			2,553,178	
Total Forces			17,646,595			15,823,537			15,582,944
Kaffir war			1,100,000						
No. 7. BOUNTIES, &c.									
For promoting Fisheries.									
Salaries, &c., White Herring Fishery Board		12,000			11,000			11,000	
For building piers and quays, and for repairs of boats of poor fishermen		513			3,009			5,149	
Total Bounties			12,513			14,009			16,149
No. 8. PUBLIC WORKS.									
Commissioners of Highland Roads and Bridges; paid out of the gross revenue		5,000			5,000			5,000	
National Gallery, Scotland, erecting							10,000		
The Annuity for Building Barracks in the Regent's Park		5,400			5,400			5,400	
Public Buildings	107,982			75,923			93,467		
Temporary accommodation, two Houses of Parliament	7,709			3,515			4,254		
Rebuilding Houses of Parliament	120,000			109,900			100,000		
British Museum Buildings	42,659			38,223			22,194		
Enlarging Buckingham Palace	13,700			26,000			19,200		
Ordnance Office, Pall Mall, additions to							11,000		
Palm House, Kew	8,410								
New Machinery, &c., Mint	2,701								
Public Works, Isle of Man	1,500								
Prison at Perth	7,685			3,059					
Port Patrick Harbour, repairs							2,994		
For the Formation of Victoria Park	7,585								
Public Walks	388			700			200		
Harbours of Refuge, &c.	148,652			135,702			168,005		
Holyhead Roads, Harbour, &c.	71,008			44,558			61,074		
Port Patrick Harbour	4,106								
Lybster Harbour				3,000			3,000		
Caledonian Canal				10,000					
Monuments to Sir Sydney Smith, Lord Exmouth, and Lord de Saumarez							1,000		

EXPENDITURE.	1848.			1849.			1850.		
PUBLIC WORKS.	£	£	£	£	£	£	£	£	£
Ambassador's house, Paris, repairs	1,184			838					
Ditto, Madrid	3,000								
Towards rebuilding Ambassador's house at Constantinople	12,000			6,700			13,083		
Monument to Lord Nelson	4,000			2,800					
		560,556			510,978			509,351	
Commissioners of Public Works, Ireland, for—									
Civil buildings, &c., Ireland	20,367			12,500			26,000		
Buildings at Maynooth	10,700			7,000			6,000		
For building new colleges, Ireland, 8 & 9 Vict. c. 66.	34,000			22,800			12,370		
For the erection of piers and improvement of harbours	21,500			15,500			16,500		
Kingstown Harbour	7,800			7,300			15,250		
River Shannon, improvement of	14,147								
Convict Prison, Dublin	18,098			10,000			2,000		
Prison for Criminal Lunatics, Dublin	8,675			5,800			2,993		
Repair of the Marshalsea, Dublin				200			500		
		133,287			79,100			81,613	
Total Public Works			706,243			600,478			601,364
No. 9. PAYMENTS out of the REVENUE of CROWN LANDS, for Improvements and various Public Services.									
For land and buildings purchased	55,850			35,151			47,553		
For repairing and maintaining buildings, walls, fences, and roads, and for making inclosures and plantations in the royal forests and parks	95,240			86,871			78,899		
		1 1,090			122,325			126,432	
Treasury, Parliamentary, and and Record Office fees		994			1,051			553	
Total Crown Lands			152,084			123,376			126,985
No. 10. POST OFFICE.									
Charges of Collection, and other Payments:									
Salaries and allowances	552,090			552,066			558,074		
Poundage on the sale of postage stamps	5,453			10,563			12,521		
Allowances for special services and travelling charges	38,511			36,187			40,188		
Tradesmen's bills, buildings and repairs	24,811			22,812			19,333		
Rent, taxes, and tithes	7,705			7,900			8,724		
Law charges	8,342			8,085			6,899		
Stationery, printing, and postage	23,272			21,750			25,460		
Other payments	2,196			1,691			2,144		
		662,380			661,054			673,343	
Superannuation allowances	12,362			11,889			12,331		
Allowances for offices abolished, and compensation to officers for loss of fees	13,257			13,488			12,922		
Allowances to wounded men and widows of seamen in the packet service	449			421			429		
		26,068			25,798			25,682	
Conveyance of mails, transit postage, and payment for ship letters		698,406			620,628			738,876	
Commissioners for repairing roads between London and Holyhead		438			438			438	
Repaid to Canada and Jamaica, under the provisions of the act 7 & 8 Vict. c. 49., on account of the surplus revenue belonging to those colonies		5,652			6,340			8,719	
Total Post Office			1,392,941			1,314,258			1,417,038

EXPENDITURE.	1848.			1849.			1850.		
No. 11. QUARANTINE AND WAREHOUSING ESTABLISHMENTS.	£	£	£	£	£	£	£	£	£
Salaries and allowances	-	66,607	-	-	65,494	-	-	60,107		
Day-pay to lockers	-	23,042	-	-	21,396	-	-	20,108		
Rent, taxes, &c.	-	51,769	-	-	49,968	-	-	45,672		
Other payments	-	4,416	-	-	1,908	-	-	1,150		
			145,834			138,766			127,337	
No. 12. MISCELLANEOUS.										
Classed under the following Heads:										
No. 1. Colonial Charges.										
2. Allowances, Gratuities, and Remuneration for Public Services and Losses.										
3. Allowances for Special and Temporary Objects										
4. For Public Charitable Institutions.										
5. For Education, Science, and Art.										
5. Other Miscellaneous Charges of a Permanent Nature.										
7. Other Miscellaneous Charges or a Temporary Nature.										
8. Abolition of Slavery.										
No. 1. *Colonial Charges.*										
The expense of the ecclesiastical establishment in the West Indies	20,300	-	-	-	20,300	-	-	-	20,300		
Civil Establishment:										
Bahamas	6,273	-	-	-	600	-	-	-	300		
Bermuda	3,037	-	-	-	7,349	-	-	-	3,512		
Prince Edward's Island	2,335	-	-	-	2,770	-	-	-	2,000		
West Coast of Africa	12,475	-	-	-	6,885	-	-	-	26,980		
Falkland Islands	5,200	-	-	-	4,604	-	-	-	4,116		
Labuan	9,827	-	-	-	6,955	-	-	-	7,874		
Heligoland	1,167	-	-	-	1,023	-	-	-	700		
Port Essington	2,726	-	-	-	1,763	-	-	-	1,807		
New Zealand	22,251	-	-	-	1,100	-	-	-	39,807		
Civil and military establishments, St. Helena	9,373	-	-	-	8,800	-	-	-	9,500		
Clergy, North America	9,795	-	-	-	17,490	-	-	-	15,778		
Indian department, Upper and Lower Canada	24,856	-	-	-	-	-	-	-	16,578		
Civil establishment, Hong Kong, and consuls in China	100,101	-	-	-	43,518	-	-	-	22,581		
Salaries of governors and others, West Indies	14,394	-	-	-	18,028	-	-	-	16,500		
Settlements, Western Australia	8,222	-	-	-	10,202	-	-	-	4,306		
Emigration agents	6,548	-	-	-	19,186	-	-	-	14,654		
Stipendary magistrates, West Indies	69,546	-	-	-	69,567	-	-	-	18,575		
For militia and volunteers in Canada	12,048	-	-	-	5,721	-	-	-	20,519		
Lighthouses, Newfoundland					150	-	-	-	3,850		
Lighthouses abroad, and Sable Island, Nova Scotia	400	-	-	-	2,381	-	-	-	503		
		340,674				246,390				218,940
No. 2. *Allowances, Gratuities and Remuneration for Services, and for Losses:*										
Payment of the difference of Trinity light pilotage and scavage dues, between British and foreign vessels	32,787	-	-	-	30,379	-	-	-	34,188		
Expenses of officers connected with the acts of navigation, and for keeping the accounts of trade and navigation of the empire	8,841	-	-	-	9,157	-	-	-	8,675		
Treasurers of counties for corn returns	5,489	-	-	-	5,270	-	-	-	4,929		
Salaries and allowances to sundry persons formerly charged on the civil list, Ireland	1,075	-	-	-	956	-	-	-	952		

EXPENDITURE.	1848.			1849.			1850.		
Allowances, Gratuities, and Remuneration for Services and for Losses.	£	£	£	£	£	£	£	£	£
Compensation to weighmasters of butter for deficiency of fees	2,930	-	-	2,918	-	-	2,733		
Non-conforming seceding ministers in Ireland	26,420	-	-	37,410	-	-	37,416		
Augmentation of stipends to clergy, Scotland	16,851	-	-	16,985	-	-	16,927		
Allowances to sundry persons, as set forth in the act 41 G. 3. c. 32.	1,568	-	-	1,568	-	-	1,568		
Sundry small fees and salaries formerly charged on the 7th class of the civil list	289	-	-	289	-	-	289		
Salaries formerly charged on the hereditary revenues, Scotland	6,087	-	-	6,121	-	-	6,098		
Compensation to sundry persons for the loss of their office on the abolition of the duties on the coinage of tin	16,724	-	-	16,706		-	16,684		
Medals to the forces for services in China	1,708								
Medals for army and navy for services from 1793 to 1814	10,000	-	-	574					
Lieut. Waghorn, R. N., remuneration for ascertaining the best route for the conveyance of Indian mails	1,500								
		132,267			128,313			130,739	
No. 3. *Expenses for Special and Temporary Objects.*									
Commissioners for inquiring into criminal law	3,259	-	-	2,552					
Commissioners and trustees of fisheries, for improving fisheries and manufactures	4,000	-	-	2,000	-	-	2,000		
Tithes	28,035	-	-	27,220	-	-	22,991		
Copyholds	2,845	-	-	2,775	-	-	2,775		
Ecclesiastical Commission	3,490	-	-	4,175	-	-	1,835		
Metropolitan Sanitary Commission	-	-	-	600					
Commission on Channel Islands	1,500								
Compensation to deputy barristers for registering voters	256	-	-	352	-	-	263		
Navigation and drainage, Ireland	31,000	-	-	35,000	-	-	38,000		
Distress in Ireland	13,832								
Ditto Ireland and Scotland	262,545								
Encumbered Estates Commission, Ireland	-	-	-	-	-	-	12,269		
		350,742			74,674			80,133	
No. 4. *For Public and Charitable Institutions.*									
Expense of the establishment for the administration of the poor laws	202,975	-	-	214,417	-	-	221,761		
Refuge for the Destitute	3,000	-	-	2,000	-	-	1,000		
Hospital for Incurables, Ireland	500	-	-	500	-	-	450		
Foundling Hospital, ditto	3,451	-	-	1,372					
House of Industry, ditto	16,000	-	-	10,150	-	-	10,700		
Female Orphan House, ditto	900	-	-	1,300	-	-	400		
Westmorland Lock Hospital, ditto	1,838	-	-	2,440	-	-	2,511		
Lying-in Hospital, ditto	1,000	-	-	800	-	-	700		
Dr. Stevens's Hospital, ditto	1,500	-	-	1,500	-	-	1,350		
Board of Charitable Bequests, ditto	1,332	-	-	2,137	-	-	1,160		
County Infirmaries, ditto	3,252	-	-	3,252	-	-	3,252		
Fever Hospital, ditto	1,726	-	-	5,112	-	-	3,032		
Charitable and other allowances (4th class civil list)	13,200	-	-	13,200	-	-	13,200		
Greenwich Hospital	20,000	-	-	20,000	-	-	20,000		
Vaccine Establishment	2,000	-	-	2,000	-	-	2,000		
Polish Exiles	9,308	-	-	7,486	-	-	5,573		
Toulonese and Corsican Emigrants	2,000	-	-	3,700	-	-	3,800		
Protestant Dissenting Ministers, Poor French Refugee Clergy and Laity, and poor of St. Martin's-in-the Fields	6,319	-	-	7,359	-	-	6,123		
Charitable allowances charged on the Concordatum Fund, Ireland	6,888	-	-	6,959	-	-	6,756		
		297,189			305,684			303,768	

EXPENDITURE.	1848.			1849.			1850.		
No. 5. *Education, Science, and Art.*	£	£	£	£	£	£	£	£	£
British Museum	48,464			41,514			44,509		
Purchase of books, MSS. and coins	8,766			1,500			3,050		
Steam navigation to India	50,000			25,000					
Salaries to certain professors of Oxford and Cambridge	2,006			2,006			2,006		
Royal Dublin Society	6,000			6,000			6,250		
,, Hibernian Society	300			300			300		
,, Irish Academy	300			300			300		
,, Ditto	147			147			147		
Belfast Academy	4,375			3,125			3,925		
Education, Ireland	115,000			140,000			150,000		
Inspectors of Anatomy, England	881			890			905		
Ditto, Ireland	470			470			470		
School of Design	7,459			13,333			13,483		
Universities of Scotland	9,896			8,582			8,535		
University of London	4,171			2,560			3,170		
Public Education, Great Britain	86,000			110,000			112,000		
Museum of Economic Geology	10,798			11,800			26,000		
Expenses of the National Gallery	1,099			1,500			1,000		
Astronomical expenses	6,304			5,570			746		
The president, vice-president, and students of Maynooth College, and the expense of the establishment	26,360			26,360			26,360		
Colleges in Ireland, 8 & 9 Vict.	3,900			3,900			22,516		
Books, &c. for colleges in Ireland				1,000			8,000		
		392,696			388,357			463,672	
No. 6. *Other Miscellaneous Charges of a Permanent Nature.*									
Home secret service	10,000			10,000			000		
Foreign secret service	34,000			33,300			34,108		
Secret service, Ireland	4,615			4,615			2,307		
Annuity and charges of management of the Equivalent Company	10,600			10,600			10,600		
Civil government at the Isle of Man	9,809			9,769			9,068		
Interest and sinking fund on Russian Dutch Loan	92,542			91,564			91,031		
Gold and silver coinage	23,105			9,140			10,390		
Civil contingencies	71,800			93,834			16,991		
Stationery for public departments	215,010			137,735			172,500		
Printing proclamations in Ireland	1,266			851			434		
Expenses under the Militia Act	95			59			45		
Interest and sinking fund on Greek Loan	46,750			17,049			16,956		

EXPENDITURE.	1848.			1849.			1850.		
Other Miscellaneous Charges of a Permanent Nature.	£	£	£	£	£	£	£	£	£
Lunacy Commissioners, salaries and expenses	13,059			12,257			12,660		
Enclosure Commissioners	16,842			14,761			12,299		
Salary and expenses of the General Superintendent of Turnpike Roads in Wales	980			907			957		
		550,471			476,241			430,146	
No. 7. *Other Miscellaneous Charges of a Casual and Temporary Nature.*									
The Equivalent Company, 13 & 14 Vict. c. 63.							248,550		
Money paid to the Bank of England, beyond the sum received on account of unclaimed dividends							25,993		
Various small miscellaneous payments by revenue departments	332			91			98		
Salaries of the Commissioners for the Improvement of the River Shannon	64			8,820			1,047		
Expenses incurred by the Customs in the execution of the Merchant Seamen's Act, 7 & 8 Vict. c. 112.	1,256			1,242			1,013		
The Registrar of Friendly Societies, deficiency of the Fee Fund, 9 & 10 Vict. c. 27.	467			1,134					
To replace escheated property of the late J. Turner				52,173					
Cuffe Street Savings Bank							16,000		
Relief of destitute emigrants from Ireland				113,543					
Distressed Poor Law Unions in Ireland				50,000					
		2,119			227,003			292,701	
No. 8. *Abolition of Slavery.*									
Bounty on slaves	66,318			99,711			71,481		
Commissioners to prevent traffic in slaves	16,000			15,000			15,800		
Bills drawn on account of captured negroes	38,200			36,300			33,500		
		120,518			151,011			120,781	
			2,186,769			1,997,673			2,070,880
			£ 58,990,754			£ 55,480,654			£ 54,958,531

IV. — A Return of the Rates of Duty on Glass in 1813, with the Quantities of each kind of Glass retained for Home Use, and the aggregate Nett Revenue, in each Year from 1813 to 1842, both included, noting the Periods when any Alteration of the Duty took place, and the Amount of such Alterations.

Rate of Duty in 1813, per Cwt. / Years.	Flint. 98*s.*	Plate. 98*s.*	Crown. 73*s.* 6*d.*	German Sheet. 73*s.* 6*d.*	Broad. 30*s.*	Common Bottle. 8*s.* 2*d.*	Total.	Period and Amount of Alteration of Duty.	Aggregate Nett Revenue.
	Quantities of Glass retained for Home Use.								
	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.		£
1813	23,370	9,398	84,441	- -	6,994	47,350	171,553	- - - -	500,850
1814	24,227	6,778	84,251	- -	8,628	140,252	264,136	- - - -	530,791
1815	24,911	419	77,485	- -	8,452	129,461	240,728	- - - -	473,780
1816	20,011	- -	56,151	- -	6,140	160,221	242,523	- - - -	353,188
1817	22,117	1,739	76,561	- -	8,374	123,881	232,692	- - - -	461,849
1818	26,978	6,391	88,893	- -	8,319	201,795	332,376	- - - -	584,399
1819	28,809	6,473	90,726	- -	8,267	238,463	372,738	From 5th July, 1819, the duty on plate glass reduced from 4*l.* 18*s.* to 3*l.* per cwt.	606,176
1820	24,745	8,735	74,183	- -	7,782	171,495	286,940	- - - -	500,595
1821	21,927	9,718	86,384	- -	8,035	137,117	263,181	- - - -	521,075
1822	21,400	9,562	95,510	- -	8,353	154,492	289,317	- - - -	559,029
1823	21,829	11,607	101,392	- -	9,172	198,456	342,456	- - - -	607,378
1824	24,954	13,543	123,845	- -	9,295	238,725	410,362	- - - -	728,342
1825	34,184	15,082	140,298	- -	8,347	251,932	449,843	From 5th July, 1825, the duty of 4*l.* 18*s.* on flint glass repealed, and a new duty of 12*l.* 10*s.* for every 1,000 lbs. of fluxed materials for flint glass imposed.	772,303
1826	47,090	12,527	115,731	- -	8,113	282,512	465,973	- - - -	720,920
1827	46,688	14,209	114,381	- -	7,611	239,794	422,683	- - - -	699,726

IV.—Return of Rates of Duty on Glass in 1813, &c.—*continued.*

Years.	Quantities of Glass retained for Home Use.						Total.	Period and Amount of Alteration of Duty.	Aggregate Nett Revenue.
	Flint.	Plate.	Crown.	German Sheet.	Broad.	Common Bottle.			
	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.		£
1828	54,255	17,096	121,158	- -	6,970	254,787	454,266	From 5th July, 1828, the duty on common bottle glass reduced in Great Britain from 8*s.* 2*d.* to 7*s.* per cwt., and the duty on every description of glass assimilated throughout the United Kingdom.	752,097
1829	50,869	13,925	92,252	- -	6,864	218,901	382,811	- - -	609,406
1830	49,353	12,677	80,926	- -	4,845	180,945	328,746	- - - -	542,261
1831	49,608	14,373	88,688	- -	5,915	150,520	299,104	- - - -	531,718
1832	51,586	11,554	86,007	179	5,304	158,719	313,349	From 10th October, 1832, the duty on fluxed materials for flint glass reduced from 12*l.* 10*s.* per 1,000 lbs. to 20*s.* for every 100 lbs.	558,423
1833	54,818	13,893	105,134	- -	6,306	164,000	344,151	- - - -	645,781
1834	52,890	16,306	106,389	- -	6,766	194,143	376,494	- - - -	664,391
1835	43,936	16,941	111,651	4,248	5,847	201,613	384,236	From 10th October, 1835, the duty on fluxed materials for flint glass reduced from 20*s.* to 6*s.* 8*d.* per 100 lbs.	640,149
1836	86,866	19,993	117,041	- -	7,629	249,145	480,674	- - - -	663,162
1837	78,121	21,640	101,309	707	7,190	247,446	456,413	- - - -	608,993
1838	81,594	23,992	113,756	2,262	6,575	243,046	471,225	- - - -	667,998
1839	82,309	26,465	113,340	5,170	8,514	252,808	488,606	- - - -	691,467
1840	82,486	31,200	111,316	7,914	9,049	232,834	473,799	From 15th May, 1840, the duty on every description of glass increased 5 per cent.; and from 15th August, 1840, the duty on broad glass increased from 1*l.* 10*s.* to 3*l.* 13*s.* 6*d.* per cwt.	724,343
1841	74,444	22,088	93,033	11,298	- -	190,257	391,120	- - - -	613,588
1842	68,098	18,396	81,715	17,117	- -	161,537	346,863	- - - -	563,437

V.—Account of the Quantities of Malt charged with Duty in England and Wales, of the Revenue received thereon, and of the Rates of Duty, in each Year from 1702.

Years.	Number of Bushels of Malt.	Amount of Duty.			Rate of Duty per Bushel.
		£	s.	d.	
1702	12,166,778	313,907	5	0	$6\frac{16}{21}d.$
1703	26,754,505	691,577	4	11	,,
1704	19,765,042	512,735	4	4	,,
1705	27,120,982	702,957	11	1	,,
1706	23,099,630	599,477	3	7	,,
1707	25,002,855	648,846	15	2	,,
1708	23,209,966	602,837	5	0	,,
1709	20,275,335	527,355	19	10	,,
1710	19,671,021	511,954	10	6	,,
1711	22,263,126	578,839	19	1	,,
1712	22,313,483	580,168	16	7	,,
1713	25,060,639	650,932	14	4	,,
1714	20,019,767	520,771	7	0	,,
1715	24,472,610	635,330	18	6	,,
1716	26,643,119	691,293	18	3	,,
1717	28,859,926	748,583	19	6	,,
1718	26,862,157	697,166	1	3	,,
1719	28,228,627	732,535	7	8	,,
1720	25,625,844	665,527	1	9	,,
1721	28,587,391	741,901	0	6	,,
1722	32,999,688	855,860	18	7	,,
1723	30,655,498	795,352	8	0	,,
1724	24,227,667	629,502	12	2	,,
1725	27,265,172	707,467	12	3	,,
1726	27,016,303	700,933	19	1	,,
1727	25,401,576	659,331	15	3	,,
1728	20,951,269	544,457	12	8	,,
1729	23,032,216	597,847	5	11	,,
1730	28,410,421	736,815	8	0	,,
1731	25,833,240	670,180	4	3	,,
1732	26,980,568	699,381	8	7	,,
1733	29,795,100	772,109	2	9	,,
1734	27,087,437	702,291	16	3	,,
1735	25,494,686	661,259	17	3	,,
1736	23,661,561	613,919	1	0	,,
1737	24,491,366	635,278	9	4	,,
1738	26,145,413	677,866	0	2	,,
1739	26,716,197	692,787	2	0	,,
1740	22,074,674	573,059	9	7	,,
1741	20,141,254	523,182	5	4	,,
1742	25,879,389	671,011	6	3	,,
1743	26,298,391	681,740	7	11	,,
1744	31,776,789	822,943	12	5	,,
1745	24,917,869	645,998	13	5	,,
1746	23,955,350	621,048	17	10	,,
1747	24,886,567	645,029	4	1	,,
1748	26,422,650	684,653	10	8	,,
1749	24,966,250	646,946	18	5	,,
1750	29,284,786	758,396	18	1	,,
1751	26,994,880	699,318	11	8	,,

V.—Account of the Quantities of Malt charged with Duty in England and Wales, &c.—*continued.*

Years.	Number of Bushels of Malt.	Amount of Duty.			Rate of Duty per Bushel.
		£	s.	d.	
1752	24,280,058	629,314	13	7	$6\frac{16}{21}d.$
1753	25,240,816	654,430	16	1	,,
1754	27,347,890	708,255	4	1	,,
1755	27,916,402	722,732	2	5	,,
1756	24,120,284	624,851	4	9	,,
1757	17,640,926	457,719	16	8	,,
1758	25,027,614	648,173	14	6	,,
1759	28,090,252	727,158	15	7	,,
1760	27,810,971	999,818	11	11	$6\frac{16}{21}d.$—$9\frac{14}{25}d.$
1761	28,928,960	1,123,040	17	2	$9\frac{1}{4}\frac{2}{21}d.$
1762	25,951,676	1,007,851	13	11	,,
1763	19,557,812	760,388	16	4	,,
1764	26,331,702	1,023,554	9	3	,,
1765	25,631,086	996,756	19	8	,,
1766	20,823,576	810,544	16	10	,,
1767	21,894,498	851,648	11	10	,,
1768	27,124,938	1,054,188	0	10	,,
1769	26,546,052	1,031,799	11	2	,,
1770	24,452,960	950,827	12	6	,,
1771	21,961,057	854,344	11	6	,,
1772	27,538,150	1,070,125	14	9	,,
1773	21,467,926	835,713	9	10	,,
1774	23,949,905	931,968	14	2	,,
1775	24,967,360	971,085	8	2	,,
1776	23,336,298	1,024,336	2	5	,,
1777	25,814,436	1,004,050	9	3	,,
1778	26,318,736	1,022,950	9	1	,,
1779	26,273,405	1,028,083	1	6	$9\frac{1}{4}\frac{2}{21}d.$—$9\frac{14}{25}d.$
1780	30,805,100	1,534,454	14	5	$9\frac{14}{25}d.$—1*s.* $4\frac{1}{4}d.$
1781	26,718,048	1,817,556	7	4	1*s.* $4\frac{1}{4}d.$
1782	27,159,104	1,846,108	11	10	,,
1783	16,712,114	1,138,782	16	0	,,
1784	25,796,105	1,745,953	19	8	,,
1785	26,269,439	1,777,917	15	2	,,
1786	22,074,334	1,493,548	2	3	,,
1787	26,439,578	1,789,780	3	9	,,
1788	26,048,072	1,763,277	17	8	,,
1789	23,509,592	1,591,463	15	6	,,
1790	21,976,959	1,487,775	6	0	,,
1791	27,070,363	2,092,191	15	10	1*s.* $4\frac{1}{4}d.$—1*s.* $7\frac{1}{4}d.$
	Stock in hand	46,716	18	3	
1792	27,789,166	2,142,950	12	10	1*s.* $7\frac{1}{4}d.$—1*s* $4\frac{1}{4}d.$
1793	23,706,765	1,604,717	9	9	1*s.* $4\frac{1}{4}d.$
1794	24,813,341	1,679.222	8	6	,,
1795	23,960,822	1,620,515	7	6	,,
1796	27,282,973	1,846,819	5	9	,,
1797	29,979,110	2,029,349	7	11	,,
1798	26,143,432	1,769,476	13	11	,,
1799	30,805,822	2,083,701	14	0	,,
1800	14,049,740	950,296	18	5	,,
1801	18,005,786	1,218,455	16	7	,,
1802	29,432,584	2,175,406	18	4	1*s.* $4\frac{1}{4}d.$—2*s.* 5*d.*
	Stock in hand	466,633	8	7	

V.— Account of the Quantities of Malt charged with Duty in England and Wales, &c.—*continued.*

Years.	Number of Bushels of Malt.	Amount of Duty. £	s.	d.	Rate of Duty per Bushel.
1803	29,562,038	3,555,906	18	0	2*s.* 5*d.*—4*s.* 5¾*d.*
1804	21,854,111	4,858,056	9	4	4*s.* 5¾*d.*
	Stock in hand	914,356	0	0	
1805	21,665,204	4,841,066	15	0	,,
1806	26,652,425	5,955,716	0	0	,,
1807	24,158,843	5,397,635	6	4	,,
1808	21,726,415	4,854,698	2	4	,,
1809	22,120,984	4,942,771	7	8	,,
1810	23,546,346	5,261,362	12	0	,,
1811	25,982,749	5,806,251	15	0	,,
1812	18,092,965	4,042,716	16	4	,,
1813	21,701,356	4,849,419	5	0	,,
1814	25,320,615	5,657,228	8	4	,,
1815	26,246,795	5,865,606	18	8	,,
1816	21,158,348	4,217,259	13	1	4*s.* 5¾*d.*—2*s.* 5*d.*
1817	20,855,566	2,509,817	18	4	2*s.* 5*d.*
1818	24,629,838	2,964,024	12	10	,,
1819	22,612,290	3,268,881	3	2	2*s.* 5*d.*—3*s.* 7¼*d.*
	Stock in hand	420,263	8	8	
1820	25,884,242	4,311,446	5	1	3*s.* 7¼*d.*
1821	26,138,437	4,718,360	10	0	,,
1822	26,688,512	3,624,242	8	0	3*s.* 7¼*d.*—2*s.* 7*d.*
1823	24,845,152	3,203,502	17	6	2*s.* 7*d.*
1824	27,615,383	3,560,693	0	0	,,
1825	29,572,741	3,813,072	7	6	,,
1826	27,335,971	3,530,895	10	8	,,
1827	25,096,337	3,241,610	3	11	,,
1828	30,517,819	3,941,884	19	1	,,
1829	23,428,135	3,026,133	19	6	,,
1830	26,900,902	3,474,699	16	10	,,
1831	32,963,470	4,257,781	10	10	,,
1832	31,669,771	4,090,678	15	1	,,
1833	33,789,010	4,364,413	15	10	,,
1834	34,449,646	4,449,745	0	0	,,
1835	36,078,855	4,660,185	0	0	,,
1836	37,196,998	4,804,612	0	0	,,
1837	33,692,356	4,351,929	8	3	,,
1838	33,823,985	4,368,931	8	8	,,
1839	33,826,016	4,369,193	14	8	,,
1840	36,653,442	4,841,229	18	0	2*s.* 7*d.*—2*s.* 7*d.* and 5 per cent.
1841	30,956,394	4,198,460	18	4	2*s.* 7*d.* and 5 per cent.
1842	30,796,262	4,176,742	19	0	,,
1843	30,891,002	4,189,592	0	9	,,
1844	31,856,551	4,320,546	8	9	,,
1845	30,508,840	4,737,774	5	4	,,
1846	35,723,774	4,845,050	11	10	,,
1847	30,269,965	4,105,363	0	0	,,
1848	31,848,456	4,319,446	14	0	,,
1849	33,161,128	4,498,152	9	9	,,
1850	34,423,489	4,668,685	9	3	,,

VI.—Account of the Quantities of Malt charged with Duty in Scotland, of the Revenue received thereon, and of the Rates of Duty, in each year from 1793.

Years.	Number of Bushels of Malt.	Amount of Duty.	Rate of Duty per Bushel.	
		£.		
1793	1,715,381	58,164	8⅓d.	
1794	1,675,741	56,823	,,	
1795	1,692,916	57,419	,,	
1796	1,203,023	40,829	,,	
1797	2,085,672	79,670	,,	
1798	1,934,396	65,560	,,	
1799	2,365,897	80,075	,,	
1800	876,598	29,670	,,	
1801	607,384	20,560	,,	
1802	1,716,278	70,527	1s. 8⅔d.	
	Stock in hand	20,389		
1803	1,594,284	137,878		
			From Barley.	From Bigg.
1804	1,091,377	197,587	3s. 9½d.	3s. 1¼d.
	Stock in hand	34,808	,,	,,
1805	1,136,112	206,935	,,	,,
1806	1,244,104	225,642	,,	,,
1807	1,259,298	226,647	,,	,,
1808	1,048,946	189,934	,,	,,
1809	772,758	139,852	,,	,,
1810	820,294	149,206	,,	,,
1811	1,012,236	184,882	,,	,,
1812	931,452	169,870	,,	,,
1813	685,241	123,705	,,	,,
1814	1,266,852	231,776	,,	,,
1815	1,297,777	236,839	3s. 9½d.	3s. 1¼d.
1816	1,162,024	164,743	3s. 9½d.—1s. 8⅔d.	3s. 1¼d.—1s. 8¾d.
1817	1,093,678	94,599	1s. 8¾d.	1s. 8¾d.
1818	1,390,515	120,274	,,	,,
1819	1,454,320	179,266	1s. 8¾d.—3s. 7½d.	1s. 8⅔d.—3s. 7¼d.
	Stock in hand	17,739		
1820	1,182,208	212,282	3s. 7¼d.	3s. 7¼d.—3s. 1d.

Years.	Number of Bushels of Malt.	Amount of Duty.	Rate of Duty per Bushel.	
		£.	From Barley.	From Bigg.
1821	1,305,659	231,606	3s. 7¼d.	3s. 1d.—2s. 10d.
1822	1,403,177	183,032	3s. 7¼d.—2s. 7d.	2s. 10d.—1s. 9½d.—2s.
1823	1,616,590	198,696	3s. 7¼d.	2s.
1824	2,788,608	335,505	,,	,,
1825	3,925,847	462,144	,,	,,
1826	2,726,555	335,574	,,	,,
1827	2,714,073	335,489	,,	,,
1828	3,867,159	478,508	,,	,,
1829	3,712,563	457,588	,,	,,
1830	4,101,946	505,651	,,	,,
1831	4,186,955	515,579	,,	,,
1832	3,714,334	458,096	,,	,,
1833	4,302,036	530,358	,,	,,
1834	4,491,292	553,567	,,	,,
1835	4,459,553	551,096	,,	,,
1836	4,903,187	611,910	,,	,,
1837	4,563,045	578,515	,,	,,
1838	4,419,141	557,913	,,	,,
1839	4,360,363	552,107	,,	,,
1840	4,397,304	572,544	2s. 7d.—2s. 7d. and 5 per cent.	2s.—2s. and 5 per cent.
1841	4,058,249	539,572	2s. 7d. & 5 per cent.	2s. and 5 per cent.
1842	3,786,476	503,829	,,	,,
1843	3,618,607	481,310	,,	,,
1844	3,889,458	516,054	,,	,,
1845	4,353,038	577,498	,,	,,
1846	4,584,667	609,165	,,	,,
1847	3,650,445	485,531	,,	,,
1848	4,026,937	534,543	,,	,,
1849	4,197,929	558,467	,,	,,
1850	4,639,159	618,647	,,	,,

VII.—Account of the Quantities of Malt charged with Duty in Ireland, of the Revenue received thereon, and of the Rates of Duty, in each Year from 1790.

Years.	Number of Bushels of Malt.	Amount of Duty.	Rate of Duty per Bushel.
		£.	
1790	4,607,953	135,496	7*d.*
1791	4,775,390	140,412	„
1792	4,676,835	137,522	„
1793	5,039,899	148,197	„
1794	4,873,984	186,315	9¼*d.*
	Stock in hand	17,672	
1795	4,697,153	290,051	1*s.* 3*d.*
	Stock in hand	36,761	
1796	4,956,584	306,070	„
1797	4,672,989	288,558	„
1798	4,413,817	313,661	1*s.* 5*d.*
	Stock in hand	19,768	
1799	3,311,463	253,170	1*s.* 6¼*d.*
	Stock in hand	12,226	
1800	681,340	52,090	„
1801	1,030,175	78,760	„
1802	3,611,579	276,115	„
1803	3,553,762	283,584	1*s.* 6¼*d.*—1*s.* 9½*d.*
	Stock in hand	31,162	
1804	2,807,535	270,036	1*s.* 9½*d.*—2*s.* 9½*d.*
	Stock in hand	28,698	
1805	2,766,867	317,299	2*s.* 3½*d.*
1806	2,814,418	334,105	2*s.* 3½*d.*—2*s.* 6¾*d.*
	Stock in hand	22,220	
1807	2,372,293	302,281	2*s.* 6¾*d.*
1808	2,597,758	331,010	„
1809	2,958,617	376,991	„
1810	2,522,543	321,425	„
1811	2,681,842	341,723	„
1812	2,206,206	281,117	„
1813	2,967,603	428,830	2*s.* 6¾*d.*—3*s.* 3¾*d.*
	Stock in hand	63,406	
1814	3,156,175	522,813	3*s.* 3½*d.*
1815	2,664,466	482,685	3*s.* 3⅜*d.*—4*s.* 5*d.*
	Stock in hand	122,233	
1816	1,879,721	359,809	4*s.* 5*d.*—2*s.* 4½*d.*
1817	1,385,486	164,771	2*s.* 4½*d.*
1818	1,783,636	211,930	„
1819	1,742,444	207,096	„
1820	1,793,671	319,684	3*s.* 6¾*d.*
	Stock in hand	43,974	
1821	1,949,315	347,424	„
1822	1,756,391	275,614	3*s.* 6¾*d.*—2*s.* 7*d.*
1823	1,702,395	217,302	2*s.* 7*d.*
1824	2,107,752	276,255	„
1825	2,706,862	356,108	„
1826	2,406,253	310,808	„
1827	1,803,091	232,899	„
1828	2,409,228	311,192	„
1829	2,012,079	259,894	„

Years.	Number of Bushels of Malt.	Amount of Duty.	Rate of Duty per Bushel.	
		£.	From Barley.	From Bigg.
1830	1,959,606	251,646	2*s.* 7*d.*	2*s.*
1831	2,101,844	263,308	„	„
1832	2,006,350	250,278	„	„
1833	1,984,849	245,987	„	„
1834	2,204,653	272,291	„	„
1835	2,353,645	288,602	„	„
1836	2,287,635	283,357	„	„
1837	2,275,347	286,470	„	„
1838	2,262,440	284,954	„	„
1839	1,744,550	218,503	„	„
1840	1,406,116	178,703	2*s.* 7*d.*—2*s.* 7*d.* and 5 per cent.	2*s.*—2*s.* and 5 per cent.
1841	1,149,692	151,210	2*s.* 7*d.* and 5 per cent.	2*s.* and 5 per cent.
1842	1,268,656	168,009	„	„
1843	1,184,281	157,048	„	„
1844	1,441,177	190,471	„	„
1845	1,684,112	222,761	„	„
1846	1,788,644	237,057	„	„
1847	1,387,405	184,797	„	„
1848	1,670,519	222,248	„	„
1849	1,576,403	210,180	„	„
1850	1,682,102	224,108	„	„

VIII. An Account of the Quantities of Tea retained for Home Consumption in the United Kingdom; the Rates of Duty chargeable thereon, and the Nett Receipt of Duty by the Customs and Excise, in each Year from 1740 to 1850 inclusive.

Years.	Tea retained for Home Consumption.	Rates of Duty Chargeable on Tea.	Nett Receipt of Duty on Tea.
	lbs.	per cent. ad valorem. £ s. d. / per lb.	£
1740	1,493,625	13 18 7½ and 4s. - -	
1741	1,192,261	,, - ,, - -	
1742	473,868	,, - ,, - -	
1743	710,633	,, - ,, - -	
1744	1,723,152	,, - ,, - -	
1745	2,422,610	38 18 7½ and 1s. - -	
1746	2,496,379	,, - ,, - -	
1747	215,019	43 18 7½ and 1s. - -	
1748	3,150,517	,, - ,, - -	
1749	3,334,779	,, - ,, - -	
1750	2,295,506	,, - ,, - -	
1751	3,656,175	,, - ,, - -	
1752	2,272,909	,, - ,, - -	
1753	3,253,083	,, - ,, - -	
1754	3,048,835	,, - ,, - -	
1755	3,437,001	,, - ,, - -	
1756	3,812,543	,, - ,, - -	
1757	3,723,032	,, - ,, - -	
1758	3,520,634	,, - ,, - -	
1759	3,245,705	48 18 7½ and 1s. - -	
1760	3,860,976	,, - ,, - -	
1761	4,308,324	,, - ,, - -	
1762	4,217,961	,, - ,, - -	
1763	5,307,292	,, - ,, - -	
1764	5,222,934	,, - ,, - -	
1765	5,204,219	,, - ,, - -	
1766	5,185,831	,, - ,, - -	
1767	4,921,131	48 18 7½ and 1s. except on Black and Singlo Teas.	
1768	7,676,243	,, - ,, - -	
1769	9,114,845	,, - ,, - -	
1770	8,634,054	,, - ,, - -	
1771	6,306,881	,, - ,, - -	
1772	6,721,406	48 18 7½ and 1s on all sorts	
1773	3,776,229	,, - ,, - -	
1774	6,728,721	,, - ,, - -	
1775	6,155,783	,, - ,, - -	
1776	4,467,609	,, - ,, - -	
1777	5,119,862	,, - ,, - -	
1778	4,179,761	,, - ,, - -	
1779	6,341,986	51 7 6⅔ and 1s. 03-5ths*d.*	
1780	7,328,098	,, - ,, - -	
1781	4,883,970	53 6 3 and 1s 1 1-5th*d.*	
1782	6,202,257	55 15 10 and 1s. 14-5ths*d.*	
1783	4,711,522	,, - ,, - -	
1784	10,159,701	12 10 0 nil. - -	
1785	14,800,932	,, - - -	
1786	15,851,747	,, - - -	
1787	15,756,033	,, - - -	579,681
1788	14,764,565	,, - - -	585,083
1789	16,505,499	,, - - -	600,077
1790	16,430,695	,, - - -	580,363
1791	17,091,627	,, - - -	650,726
1792	17,666,583	,, - - -	651,885
1793	17,192,686	,, - - -	619,121
1794	18,665,365	,, - - -	671,974
1795	21,342,845	20 0 0 - - -	759,202
1796	20,321,707	,, - - -	925,676

Not ascertainable in these years from any existing records.

Years.	Tea retained for Home Consumption.	Rates of Duty Chargeable on Tea.	Nett Receipt of Duty on Tea.
	lbs.	per cent. ad valorem. If sold at or above 2s. 6d. per lb. £ s. d. / If sold at under 2s. 6d. per lb £ s. d.	£
1797	18,858,427	30 0 0 / 20 0 0	1,088,878
1798	22,483,258	35 0 0 / 20 0 0	1,214,915
1799	22,775,165	,, / ,,	1,278,589
1800	23,271,799	40 0 0 / 20 0 0	1,222,087
1801	23,730,150	50 0 0 / 20 0 0	1,423,660
1802	25,400,294	,, / ,,	1,632,467
1803	24,877,450	95 0 0 / 65 0 0	1,929,614
1804	22,057,046	,, / ,,	2,599,739
1805	24,266,083	95 2 6 / 65 2 6	3,356,524
1806	22,249,485	96 0 0	3,146,671
1807	23,819,420	,,	3,520,174
1808	25,226,642	,,	3,905,295
1809	21,065,843	,,	3,592,705
1810	24,486,108	,,	3,647,738
1811	22,454,532	,,	3,752,111
1812	21,584,402	,,	3,825,980
1813	25,409,855	,,	3,776,739
1814	24,389,501	,,	3,958,055
1815	25,917,853	,,	4,058,092
1816	22,693,992	,,	3,362,497
1817	24,605,794	,,	3,431,364
1818	26,927,531	,,	3,872,694
		If sold at above 2s. per lb. / If sold at or under 2s. per lb.	
1819	25,211,693	100 0 0 / 96 0 0	3,689,805
1820	25,712,935	,, / ,,	3,526,912
1821	26,754,587	,, / ,,	3,738,428
1822	27,574,025	,, / ,,	3,945,590
1823	27,093,015	,, / ,,	3,848,122
1824	27,648,295	,, / ,,	3,865,477
1825	29,232,174	,, / ,,	4,031,019
1826	29,045,852	,, / ,,	3,738,043
1827	29,931,178	,, / ,,	3,705,590
1828	29,305,757	,, / ,,	3,418,843
1829	29,495,205	,, / ,,	3,321,723
1830	30,046,935	,, / ,,	3,387,097
1831	29,997,055	,, / ,,	3,344,919
1832	31,548,381	,, / ,,	3,509,839
1833	31,829,620	,, / ,,	3,444,102
		per lb. s. d.	
1834	34,969,651	nil. Bohea - - 1 6; Congou, Twankay, Hyson Skin, Orange Pekoe, and Campoi 2 2; Other sorts - - 3 0	3,589,361
1835	36,574,004	- ,, - ,,	3,832,127
1836	49,142,236	All Sorts - 2 1	4,671,535
1837	30,625,206	,, - - ,,	3,223,840
1838	32,351,593	,, - - ,,	3,462,035
1839	35,127,287	,, - - ,,	3,658,803
1840	32,252,628	,, - - 2	3,472,864
1841	36,675,667	,, - - ,,	3,973,668
1842	37,355,911	,, - - ,,	4,088,957
1843	40,293,393	,, - - ,,	4,407,642
1844	41,363,770	,, - - ,,	4,524,193
1845	41,193,433	,, - - ,,	4,833,353
1846	46,740,344	,, - - ,,	5,112,605
1847	46,314,821	,, - - ,,	5,066,494
1848	48,734,789	,, - - ,,	5,329,992
1849	50,021,576	,, - - ,,	5,471,424
1850	51,172,302	,, - - ,,	5,596,961

IX. Account of the Quantities of Sugar retained for Consumption in the U. Kingdom in the Undermentioned Years, exhibiting also the Nett Revenue derived from the same, and the Prices of British Muscovado Sugar.

Years.	Varieties of Sugar.					Nett Revenue from Duties on Sugar.	Average Prices per Cwt. of Muscovado Sugar, ex. Duty.
	British West India.	East India and Mauritius.	Foreign.	Total of Unrefined Sugar.	Refined Sugar and Sugar Candy.		
	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.	£	s. d. (British West India.)
1800	- -	- - -	- -	2,156,196	- -	2,162,141	68 1
1801	- -	- - -	- -	3,198,315	- -	3,066,163	59 5
1802	- -	- - -	- -	2,923,669	- -	2,605,063	36 6
1803	- -	- - -	- -	2,087,795	- -	1,847,361	43 1
1804	- -	- - -	- -	2,670,008	- -	2,839,878	53 1
1805	The Records of the Consumption			2,555,017	Records	2,837,413	51 8
1806	of the several sorts of Sugar pre-			3,290,397	de-	3,470,630	43 9
1807	viously to 1814 were destroyed			2,892,872	stroyed.	3,676,336	34 1
1808	by fire.			3,472,448		4,760,411	38 8
1809	- -	- - -	- -	† 3,211,285	- -	4,118,964	46 3
1810	- -	- - -	- -	3,930,323	- -	3,991,273	49 1
1811	- -	- - -	- -	3,741,833	- -	4,652,824	39 8
1812	- -	- - -	- -	3,224,336	- -	4,780,442	45 0
1813	- -	- - -	- -	2,825,720	- -	4,485,937	59 10
1814	2,396,443	14,036	‡ 204,916	2,615,395	9	3,828,878	73 4
1815	2,443,047	43,041	37,228	2,523,316	10	3,454,412	61 10
1816	2,751,692	33,980	49,493	2,835,165	231	3,612,715	48 7
1817	3,648,733	27,332	4,575	3,680,640	52	4,434,051	49 8
1818	2,097,278	25,056	419	2,122,753	7	2,751,169	50 0
1819	3,010,722	100,046	245	3,111,013	5	3,996,589	41 4
1820	3,190,871	84,795	281	3,275,947	12	3,925,481	36 2
1821	3,291,769	120,203	268	3,412,240	5	4,188,997	33 2
1822	3,045,538	137,092	287	3,182,917	12	4,060,544	31 0
1823	3,363,117	102,901	183	3,466,201	8	4,407,476	32 11
1824	3,438,423	152,673	50	3,591,146	11	4,641,997	31 6
	British West India and Mauritius.	British East India.					
1825	3,164,160	107,200	25	3,271,385	3	4,176,673	38 6
1826	3,645,159	143,312	26	3,788,497	10	4,951,971	30 7
1827	3,469,818	69,856	186	3,539,860	5	4,650,224	35 9
1828	3,781,995	97,244	11	3,879,250	7	5,102,338	31 8
1829	3,691,294	118,400	12	3,809,706	4	4,896,271	28 7
1830	3,925,221	131,979	24	4,057,224	5	4,767,374	21 11
1831	3,962,636	113,524	91	4,076,251	2	4,650,606	23 8
1832	3,799,603	79,592	613	3,879,808	2	4,394,352	27 8
1833	3,668,051	98,283	71	3,766,405	6	4,414,346	29 8
1834	3,807,499	121,007	50	3,928,556	5	4,559,418	29 5
1835	3,924,230	98,680	31	4,022,841	9	4,667,920	33 5
1836	3,482,882	110,222	33	3,593,137	7	4,151,209	40 10
1837	3,778,565	270,055	43	4,048,663	2	4,760,576	34 7
1838	3,602,800	418,375	65	4,021,240	6	4,656,912	33 8
1839	3,353,089	477,252	49	3,830,390	3	4,586,936	39 2
1840	3,073,772	518,320	2,315	3,594,407	5	4,449,070	49 1
1841	2,992,203	1,065,414	261	4,057,878	22	5,114,390	39 8
1842	2,932,386	935,948	103	3,868,437	37	4,874,812	36 11
1843	2,972,564	1,055,667	76	4,028,307	19	5,076,326	34 4
1844	3,084,139	1,045,206	98	4,129,443	6	5,203,270	33 10
1845	3,518,141	1,231,176	77,307	4,856,624	56	3,574,471	32 9
1846	3,176,600	1,440,909	602,739	5,220,248	18,408	3,896,780	34 2
1847	3,623,066	1,182,423	974,019	5,779,508	26,130	4,405,237	25 6
1848	3,571,581	1,349,751	1,220,964	6,142,296	46,191	4,557,337	24 1
1849	4,054,981	1,374,228	496,478	5,905,687	75,137	3,912,170	25 11
1850	3,786,002	1,397,095	908,395	6,091,492	116,335	3,884,441	26 1

* For the Rates of Duty, which are exceedingly complicated, see Art. Sugar, in "Commercial Dictionary."

† The amount of Sugar stated as retained for Home Consumption in the years from 1809 to 1814, both inclusive, includes the quantities used in Distilleries under Act 48 Geo. 3. c. 152. No record is in existence of the quantities delivered under that Act.

‡ The quantities of Foreign Sugar above shown as retained for Home Consumption in the years 1814—1818 consisted chiefly of the produce of Martinique and Guadalope, imported previously to 12th May 1813, and admitted to entry under Act 53 Geo. 3. c. 62.

X. An Account of the Quantity, in Pounds Weight, of Coffee imported into the United Kingdom, the Quantity retained for Consumption, the Produce of the Duties, and the Rates of Duty on the same, in each Year from 1820.

Years.	Quantities imported into the United Kingdom.	Quantities retained for Home Consumption in the United Kingdom.	Amount of Duty received thereon.	Rates of Duty per Pound.	£	s.	d.
	Lbs.	*Lbs.*	£				
1820	48,841,626	7,103,409	342,828	Of any British possession in America or Africa	0	1	0
				From any place within the limits of the East India Company's charter	0	1	6
				All other coffee	0	2	6
1821	45,237,869	7,593,001	384,293				
1822	44,003,124	7,669,351	387,342				
1823	45,053,373	8,454,920	428,613				
1824	50,674,249	8,262,943	420,988				
1825	52,597,518	11,082,970	315,804	Of any British possession in America	0	0	6
				Of any British possession within the limits of E. I. Company's charter	0	0	9
				Of any other place	0	1	3
				(From 5th April.)			
1826	42,017,103	13,199,235	336,570	Of any British possession in America	0	0	6
				Of Sierra Leone	0	0	9
				Imported from any British possession within the limits of the East India Company's charter	0	0	9
				Imported from any other place within those limits	0	1	0
				Otherwise imported	0	1	3
				(From 5th July.)			
1827	47,938,047	15,500,117	399,690				
1828	41,069,731	17,114,635	440,245				
1829	39,071,215	19,466,028	498,951				
1830	40,952,163	22,669,253	579,363				
1831	43,007,828	22,715,807	583,751				
1832	49,982,939	22,952,527	598,038				
1833	34,426,109	22,741,984	591,241				
1834	41,865,111	23,785,095	614,434				
1835	28,398,493	23,295,046	652,124	Of any B. poss. in America, or within the limits of the E. I. Co.'s charter or of Sierra Leone	0	0	6
				Imported from any B. poss. within the limits of the E. I. Co.'s charter, not being the produce thereof	0	0	9
				Imported from any other place within those limits	0	1	0
				Otherwise imported	3	1	3
				(From 9th September.			
1836	34,054,837	24,947,690	691,616				
1837	36,412,514	26,346,961	696,645				
1838	39,932,279	25,765,673	685,082				
1839	41,003,316	26,789,945	779,115				
1840	70,250,766	28,664,341	921,551	Of any B. poss. in America, or within the limits of the E. I. Co.'s charter, or of Sierra Leone	0	0	$6\frac{3}{10}$
				Imported from any B. poss. within the limits of the E. I. Co.'s charter, not being the produce thereof	0	0	$9\frac{9}{20}$
				Imported from any other place within those limits	0	1	$0\frac{3}{5}$
				Otherwise imported	0	1	$3\frac{3}{4}$
				(From 15th May.)			
1841	43,317,762	28,370,857	887,747				
1842	41,444,414	28,519,646	768,886	Of and from British possessions	0	0	$4\frac{1}{5}$
				Of and from foreign countries	0	0	$8\frac{2}{5}$
				(From 9th July.)			
1843	38,942,469	29,979,404	697,376				
1844	46,523,188	31,352,382	681,616	Of and from foreign countries	0	0	$6\frac{1}{10}$
				(From 6th June.)			
1845	50,377,915	34,318,095	717,871				
1846	51,813,651	36,793,061	756,838				
1847	55,354,044	37,441,373	746,436				
1848	57,053,450	37,077,546	709,632				
1849	63,315,787	34,399,374	642,520				
1850	50,803,152	31,166,358	565,659				

XI. An Account of the Articles subject to Excise Duties in England and Scotland in 1815, specifying the Rates of Duty on each, and the Nett Produce of the Duties, omitting the Articles that have been since transferred to the Customs.

[By contrasting this account with that on page 212. the reader will see the reductions effected in the Excise Duties since 1815.]

Articles.	Rates of Duty.	Nett Produce of Duty in England.	Nett Produce of Duty in Scotland.	Nett Produce of Duty in Great Britain.
		£	£	£
Auctions	Estates, Houses, &c. - - 7*d.* in the £ -	263,848	14,779	278,627
	Furniture, &c. - - 1*s.* ditto - -			
	Sheep's wool - - - 2*d.* ditto - -			
	First Sales of Foreign Produce ½ per cent. - -			
Beer -	Strong - - - - 10*s.* per barrel -	3,235,847	94,013	3,329,860
	Table - - - - 2*s.* ,, -			
Bricks - and Tiles -	Common - - - 5*s.* 10*d.* per 1000 -	262,065	6,949	269,014
	Large - - - - 10*s.* ,, -			
	Polished - - - 12*s.* 10*d.* ,, -			
	Ditto, exceeding 10 inches long and 5 inches wide - same as paving tiles			
	Plain - - - - 5*s.* 8*d.* per 1000 -			
	Pan or Ridge - - - 12*s.* 10*d.* ,, -			
	Paving, small - - - 2*s.* 5*d.* per 100 -			
	Ditto, large - - - 4*s.* 10*d.* ,, -			
	All other - - - 4*s.* 10*d.* per 1000 -			
Candles -	Tallow - - - - 1*d.* per lb. - -	335,044	19,323	354,367
	Wax and Spermaceti - 3½*d.* ,, - -			
Cyder, Perry, and Verjuice	Cyder and Perry - - 1*l.* 10*s.* per hhd. -	19,302	3	19,305
	Verjuice - - - 7*s.* 8*d.* ,, -			
Glass -	Flint - - - - 4*l.* 18*s.* per cwt. -	366,678	57,466	424,144
	Crown or German Sheet - 3*l.* 13*s.* 6*d.* ,, -			
	Plate (materials used) - 4*l.* 18*s.* ,, -			
	Broad - - - - 1*l.* 10*s.* ,, -			
	Common Bottles - - 8*s.* 2*d.* ,, -			
Hides and Skins -	*Tanned.*	637,771	60,375	698,146
	All Hides whatsoever - 3*d* per lb. - -			
	Calf-skins, Dog-skins, &c. - 3*d.* ,, - -			
	Goat-skins with Shumack - 8*s.* per doz. -			
	Sheep-skins for roans - - 4*s.* 6*d.* ,, -			
	Ditto for gloves - - 3*d.* per lb. -			
	Other Skins, & parts & pieces 1*s.* ,, -			
	Tawed.			
	Horse Hides - - - 3*s.* per hide -			
	Cow Hides - - - 6*s.* ,, -			
	Calf-skins, Kip, and Seal-skins 3*d.* per lb. -			
	Slink Calf with hair - - 6*s.* per doz. -			
	Ditto without hair, &c. - 2*s.* ,, -			
	Buck and Doe-skins - - 1*s.* per lb. -			
	Goat and Beaver - - 4*s.* per doz. -			
	Sheep and Lamb - - 2½*d.* per lb. -			
	Other Skins, & parts & pieces 1*s.* ,, -			
	Dressed in Oil.			
	Buck, Deer, and Elk-skins - 1*s.* per lb. -			
	Sheep and Lamb-skins - 6*d.* ,, -			
	All other Hides - - 6*d.* ,, -			
	All other Skins, and parts and pieces - - - 1*s.* ,, -			
	Vellum - - - - 7*s.* per doz. -			
	Parchment - - - 3*s.* 6*d.* ,, -			
Hops -	- - - - - 2*d.* per lb. - -	222,025	- -	222,025
Licences -	Inserted at the end - - - -	693,354	85,486	778,840
Malt -	From Barley - England - 4*s.* 4*d.* per bushel -	5,830,588	235,807	6,066,395
	Scotland - 3*s.* 8*d.* ,, -			
	From Bear or Bigg, Scotland 3*s.* ,, -			
Paper -	First Class - - - 3*d.* per lb. - -	418,248	47,958	466,206
	Second Class - - - 1½*d.* ,, - -			
	Glazed Paper, &c. - - 1*l.* 1*s.* per cwt. -			
	Carried forward - -	12,284,770	622,159	12,906,929

Account of the Articles subject to Excise Duties in England and Scotland in 1815.—*continued.*

Articles.	Rates of Duty.	Nett Produce of Duty in England.	Nett Produce of Duty in Scotland.	Nett Produce of Duty in Great Britain.
		£	£	£
	Brought forward	12,284,770	622,159	12,906,929
Printed Goods	British Manufactures - 3½*d.* per yard	280,482	107,317	387,799
	Foreign Calico - 7*d.* „			
	Linens and Stuffs - 3½*d.* „			
	Silks - 6*d.* „			
	Stained Paper - 1¾*d.* „			
Salt	Salt in England - 15*s.* per bushel	1,471,312	100,167	1,571,479
	Ditto in Scotland - 8*s.* 6*d.* „			
	Salt imported - 20*s.* „			
	Mineral Alkali - 30*s.* per ton			
Soap	Hard - 2½*d.* per lb.	625,039	86,612	711,651
	Soft - 1¾*d.* „			
Spirits	*England.*	2,179,132	752,039	2,931,871
	From Corn - 9*s.* 2½*d.* per gallon			
	From Scotland - 9*s.* 5½*d.* „			
	From Ireland - 9*s.* 10½*d.* „			
	Scotland.			
	From Corn - 8*s.* 1*d.* „			
Starch	- - - - - 3¼*d.* per lb.	45,308	2,006	47,314
Stone Bottles	- - - - - 2*s.* 6*d.* per cwt.	1,887	2	1,889
Sweets and Mead	- - - - - 2*l.* 9*s.* per barrel	20,803	213	21,016
Vinegar	- - - - - 15*s.* „	46,686	891	47,577
Wire	Gilt - - - - 1*s.* 8*d.* per oz.	10,047	- -	10,047
	Silver - - - - 1*s.* 2*d.* „			
	Total	16,966,165	1,671,406	18,637,572

Rate per cent. at which the Nett Produce was collected, 3*l.* 12*s.*

XII. Rates of Duty on Licences in 1815.

	Per Annum. £	*s.*
Auctioneers - - - -	0	12
Common brewers of Table-beer, only -	2	0
Common Brewers (according to the quantity brewed) - - from	2	5
Common Brewers (according to the quantity brewed) - - to	75	0
Retailers of Beer, Cider, or Perry -	4	4
Makers of Wax or Spermaceti Candles	12	0
Sellers of ditto - - - -	1	1
Makers of Candles other than Wax or Spermaceti - - - -	2	0
Dealers in Coffee, Tea, Cocoa-nuts, or Chocolate - - -	0	11
Glass Makers, for every Glass-house -	20	0
Tanners within the Bills of Mortality -	10	0
Ditto elsewhere - - - -	5	0
Tawers - - - - -	2	0
Oiled Leather Dressers - - -	4	0
Curriers - - - - -	4	0
Makers of Vellum or Parchment -	2	0
Maltsters, (according to the quantity made) from 7*s.* 6*d.* to	4	10
Makers of Mead or Metheglin - -	2	0
Paper Makers - - - -	4	0
Paper Stainers - - - -	4	0
Dealers in Plate, under 2 oz. of Gold and 30 oz. of Silver - - -	4	12
Ditto, above that weight, Pawnbrokers and Refiners - - - -	11	10
Calico, &c. Printers - - -	20	0
Printers of Silks - - - -	20	0

	Per Annum. £	*s.*
Soap Makers - - - -	4	0
Distillers - - England -	20	0
Distillers - - Scotland -	10	0
Rectifiers - - England -	10	0
Rectifiers - - Scotland -	5	0
Spirit Dealers - - - -	10	0
Retailers of Spirits (according to the rent of premises) - - from	7	1
Retailers of Spirits (according to the rent of premises) - - to	10	13
Starch Makers - - - -	10	0
Makers of Sweets or made Wines -	10	0
Retailers of ditto - - -	4	8
Manufacturers of Tobacco and Snuff - - - - from	3	0
Manufacturers of Tobacco and Snuff - - - - to	30	0
Dealers in ditto within the limits of the Chief Office in London or Edinburgh	0	10
Ditto, elsewhere - - - -	0	5
Vinegar Makers - - - -	20	0
Dealers in Foreign Wine, not having a Licence to retail Spirits or Beer -	10	8
Ditto, having a Licence to retail Beer but not Spirits - - - -	8	
Ditto, having a Licence to retail Beer and Spirits - - - -	4	8
Wire Drawers - - - -	4	0
Dealers in plain Aqua vitæ only (Scotland) - - - - -	6	0
Retailers of ditto In the Highlands -	2	0
Retailers of ditto In the Lowlands -	4	0

XIII. An Account of the Articles subject to Excise Duties in Ireland, in 1815, specifying the Rates of Duty on each, and the Nett Produce of the Duties, omitting the Articles that have been since transferred to the Customs.

Articles.	Rates of Duty.	Gross Produce of Duty in Ireland.
		British Currency. £
Auctions	Estates, Houses, &c. - - 6*d.* in the £ -	6,802
	Furniture, &c. - - - 10*d.* ,, -	
	Sheep's Wool - - - 2*d.* ,, -	
Glass	Bottles - - - - 3*d.* per doz. -	388
Hides and Skins	*Tanned.*	40,694
	All Hides and Skins tanned with Bark - - - - or 9*d.* per annum per cubic foot of tan pit - -	
	Goat and Sheep-skins tanned with Shumack - - - 1*d.* per lb. -	
	Brazil Sheep and Lamb-skins - ½*d.* ,, -	
	Horse Hides - - - 1*s.* each -	
	Veal and Hog-skins - - 5*s.* per dozen	
	Shoe and Seal-skins - - 2*s.* 6*d.* ,,	
	Skins for Bookbinders - - 1*s.* ,,	
	Vellum - - - - 6*d.* ,,	
	Parchment - - - 3*d.* ,,	
	Dressed in Oil.	
	Deer, Goat and Beaver - - 3*d.* per lb. -	
	Calf-skins - - - 2*d.* ,, -	
	Sheep and Lamb-skins - - ½*d.* ,, -	
	All other, and parts and pieces - 2*d.* ,, -	
Licences	Nearly the same as in England - - -	85,297
Malt	- - - - - - 17*s.* 4*d.* per barrel	604,918
Paper	First Class - - - 3*d.* per lb. -	16,852
	Second Class - - - 1*d.* ,, -	
	Glazed Paper - - - 5*s.* per cwt. -	
	Pasteboard - - - 20*s.* ,, -	
	or	
	For every Engine, Vat, and Wet Press - - - - 10*s.* per annum per cubic foot	
Printed Goods	Stained Paper - - - 1½*d.* per square yard	1,438
	or	
	For every Table used - - 4*l.* 3*s.* 4*d.* per month	
Spirits	Home-made - - - 6*s.* per gallon -	1,312,908
Sweets and Mead	Mead or Metheglin - - 4*d.* ,,	250
	Wine, Home-made - - 2*l.* 7*s* per barrel	
Vinegar	- - - - - - 3*s.* per barrel -	304
Wrought Plate	- - - - - - 1*s.* per ounce -	3,524
	Total Gross Produce - - -	2,073,375
	Deduct Drawbacks and other Repayments	38,444
	Nett Produce of Duty in Ireland - -	2,034,931

Note.—The Nett Produce of the respective Duties cannot be ascertained from the Accounts made up at this Period.

XIV. Account of the Quantities of the different Descriptions of Wine entered for Consumption from 1784 down to 1850, specifying the Rates of Duty levied on each, the Total Amount of Duty, &c.

Years. From	Years. To		Portuguese. Gallons.	Portuguese. Duty.	Spanish. Gallons.	Spanish. Duty.	Madeira. Gallons.	Madeira. Duty.	Teneriffe. Gallons.	Teneriffe. Duty.	Sicilian. Gallons.	Sicilian. Duty.	Cape. Gallons.	Cape. Duty.	French. Gallons.	French. Duty.	Rhenish. Gallons.	Rhenish. Duty.	Total Gallons.	Revenue.
				s. d.		*s. d.*		*s. d.*		*s. d.*		*s. d.*		*s. d.*		*s. d.*		*s.*		£
1784	1785	av. 2	2,602,110	4 8¾	619,920	4 10	- -		- -	- -	- -		- -		97,230	9 2	31,080	5 2½	- -	625,454
1786	1791	— 9	4,180,890	3 1½	921,270	3 1½	196,140	3 1½	20,370	3 1½	5,460	3 1½	- -	-	179,970	4 10	20,790	-	5,524,890	889,031
	1795	-	5,161,170	5 0½	1,610,280	5 0½	122,430	5 0½	27,930	5 0½	2,730	6 5	- -	-	96,180	7 8½	1,050	7 1½	7,021,770	1,430,722
	1796	-	2,909,970	6 11	1,123,290	6 11	78,330	6 11	25,410	6 11	18,270	8 3	- -	-	34,020	10 6½	420	9 0½	4,189,710	1,159,523
1797	1802	av. 6	4,136,580	-	1,058,820	-	167,790	-	22,050	-	- -	-	- -	-	53,760	-	10,710	-	5,449,710	1,723,339
	1803	-	5,616,540	8 4	1,319,010	8 4	311,220	8 4	23,310	8 4	34,860	-	- -	-	135,450	12 7½	7,770	10 2	7,447,860	2,141,356
	1804	-	1,821,640	8 10	1,287,510	8 10	186,630	8 10	34,650	8 10	- -	-	- -	-	16,170	13 9	1,260	10 11	3,347,820	2,814,323
1805	1814	av. 10	3,773,070	9 1	1,461,120	9 1	354,050	9 2½	200,340	9 1	123,690	9 1	- -	-	90,930	-	9,030	11 3	6,015,030	1,974,102
1815	1820	— 6	2,525,460	-	828,540	-	353,940	-	175,770	-	55,020	-	441,630	3 0	156,450	-	21,420	-	4,561,140	1,931,865
	1821	-	2,343,509	-	959,834	-	400,476	-	160,350	-	69,102	-	572,131	-	159,462	-	21,991	-	4,686,885	1,797,491
	1822	-	2,375,210	-	967,149	-	341,976	-	129,620	-	66,025	-	538,847	-	168,732	-	19,500	-	4,606,999	1,791,013
	1823	-	2,492,212	-	1,078,922	-	323,731	-	123,036	-	79,686	-	555,119	-	171,681	-	25,670	-	4,845,060	1,907,466
	1824	-	2,512,343	-	1,217,034	-	297,479	-	117,128	-	77,085	-	595,299	-	187,477	-	25,976	-	5,030,891	1,967,953
	1825	-	4,200,719	4 10	1,830,975	4 10	372,521	4 10	167,108	4 10	131,609	4 10	670,639	2 5	525,579	7 3	107,299	4 10	8,009,542	1,815,053
	1826	-	2,833,688	-	1,622,580	-	286,275	-	134,415	-	140,318	-	630,136	-	343,707	-	66,991	-	6,058,443	1,270,118
	1827	-	3,222,192	-	1,908,331	-	300,295	-	152,938	-	156,721	-	698,431	-	311,289	-	76,161	-	6,826,361	1,426,550
	1828	-	3,307,021	-	2,097,628	-	272,977	-	137,553	-	186,537	-	652,286	-	421,469	-	86,905	-	7,162,376	1,506,122
	1829	-	2,682,084	-	1,964,162	-	229,322	-	101,699	-	219,172	-	579,744	-	365,336	-	76,396	-	6,217,652	1,292,402
	1830	-	2,869,608	-	2,081,423	-	217,138	-	101,892	-	252,513	-	535,255	-	308,294	-	63,322	-	6,434,445	1,351,607
	1831	-	2,707,734	5 6	2,089,532	5 6	209,127	5 6	94,803	5 6	259,916	5 6	539,581	2 9	254,366	5 6	57,888	5 6	6,212,264	1,356,208
	1832	-	2,617,405	-	2,080,099	-	159,898	-	72,803	-	254,251	-	514,262	-	228,627	-	38,197	-	5,965,542	1,519,643
	1833	-	2,596,530	-	2,246,085	-	161,042	-	69,621	-	312,993	-	545,191	-	232,550	-	43,758	-	6,207,770	1,629,219
	1834	-	2,780,303	-	2,279,854	-	150,369	-	62,186	-	372,744	-	524,081	-	260,630	-	50,377	-	6,480,544	1,705,520
	1835	-	2,780,024	-	2,230,187	-	139,422	-	52,862	-	374,549	-	522,941	-	271,661	-	48,096	-	6,420,342	1,691,522
	1836	-	2,878,359	-	2,388,413	-	133,673	-	54,584	-	403,155	-	541,511	-	352,063	-	59,454	-	6,811,212	1,793,963
	1837	-	2,573,157	-	2,297,070	-	119,873	-	42,146	-	373,458	-	500,727	-	440,322	-	44,807	-	6,391,560	1,687,097
	1838	-	2,900,457	-	2,497,538	-	110,294	-	97,979	-	370,610	-	538,528	-	417,281	-	57,584	-	6,990,271	1,846,056
	1839	-	2,921,422	-	2,578,997	-	118,715	-	35,178	-	369,417	-	534,182	-	378,656	-	63,937	-	7,000,486	1,849,699
	1840	-	2,668,534	5 9	2,500,760	5 9	112,555	5 9	29,489	5 9	383,774	5 9	456,773	2 11	341,841	5 9	60,056	5 9	6,553,992	1,872,799
	1841	-	2,387,017	-	2,412,321	-	107,701	-	25,772	-	401,439	-	441,238	-	353,740	-	55,242	-	6,184,960	1,800,127
	1842	-	1,288,953	-	2,261,786	-	65,209	-	21,169	-	393,028	-	370,800	-	360,692	-	53,585	-	4,185,222	1,409,205
	1843	-	2,517,709	-	2,311,639	-	95,589	-	20,597	-	416,643	-	332,369	-	326,498	-	49,943	-	6,068,987	1,704,434
	1844	-	2,887,501	-	2,478,360	-	111,577	-	20,650	-	463,685	-	319,257	-	473,789	-	53,865	-	6,838,684	1,960,738
	1845	-	2,688,084	-	2,544,877	-	102,745	-	20,260	-	506,523	-	357,793	-	443,330	-	62,519	-	6,736,131	1,787,560
	1846	-	2,669,798	-	2,602,490	-	91,580	-	25,312	-	508,285	-	365,867	-	409,506	-	64,748	-	6,740,316	1,887,516
	1847	-	2,360,851	-	2,372,178	-	81,349	-	22,921	-	470,429	-	293,016	-	397,329	-	55,774	-	6,053,847	1,700,193
	1848	-	2,146,813	-	2,435,427	-	76,938	-	20,311	-	488,683	-	267,922	-	355,802	-	44,651	-	6,136,547	1,727,409
	1849	-	2,648,242	-	2,148,107	-	71,097	-	19,935	-	444,511	-	241,845	-	331,690	-	46,405	-	6,251,862	1,767,516
	1850	-	2,814,979	-	2,469,038	-	70,360	-	16,211	-	425,056	-	246,132	-	310,748	-	54,668	-	6,437,222	1,824,457

REMARKS ON PRECEDING TABLE.

Until 1814, duties were charged per tun, in accordance with which our calculations have been made, and the rate per tun, and per old gallon, reduced to the rate per Imperial gallon, throughout; and, although differing at the earliest periods from other statements, will, we believe, be found perfectly correct.

The official documents of the years 1784 and 1785 are evidently so imperfect, that we do not state the "total gallons."

Prior to 1821 the quantities are calculated from the annual importations, deducting the exportations; after, and including 1821, from the custom returns of "quantities retained for home consumption."

The great apparent increase in "French" in the years 1830-6-7-8, is owing to the large quantity of Masdeu (a wine resembling port) introduced in those years.

Rates of Duty per Gallon on all Wines, since 1671, and Differential Duty per Cent. on French and Foreign Wines.

Years.	French. Duty.	Portuguese. Duty.	Spanish. Duty.	Rhenish. Duty.	Differential Duty per Cent. on French and Portugal Wines.
1671	0s. 4d.	0s. 4d.	No account	No account	Equal.
1678	0 8	0 8	No account	No account	Equal.
1688	1 4	1 8	1s. 8d.	1s. 8d.	French 20 per cent. less.
1693	2 1	1 8	1 8	1 8	— 25 — more.
1697	4 10	2 0	2 1	2 5	— 156 — —
1707	5 3	2 5	2 5	2 11	— 115 — —
1745	6 0	2 9	2 9	3 4	— 113 — —
1782	9 2	4 8½	4 10	5 2	— 109 — —
1786	4 10	3 1	3 1	5 2	— 55 — —
1824	13 9	9 1	9 1	11 5	— 50 — —
1825	7 3	4 10	4 10	4 10	— 50 — —
1831	5 6	5 6	5 6	5 6	Equal.
1840-1850	5 9	5 9	5 9	5 9	Equal.

N. B. The above statements and the foregoing table have been taken (after being compared with the official accounts) from the elaborate tables compiled by T. G. Shaw, Esq., wine merchant.

XV. Account of the Debt of the United States from 1791 to 1850, both inclusive.

Years.	Dollars.	Years.	Dollars.
1791 -	75,463,476	1808 -	65,196,318
1792 -	77,227,924	1809 -	57,023,192
1793 -	80,352,634	1810 -	53,173,217
1794 -	78,427,405	1811 -	48,005,588
1795 -	80,747,587	1812 -	45,209,738
1796 -	83,762,172	1813 -	55,962,828
1797 -	82,064,479	1814 -	81,487,846
1798 -	79,228,529	1815 -	99,833,660
1799 -	78,408,670	1816 -	127,334,934
1800 -	82,976,294	1817 -	123,491,965
1801 -	83,038,051	1818 -	103,466,634
1802 -	80,712,632	1819 -	95,529,648
1803 -	77,054,686	1820 -	91,015,566
1804 -	86,427,121	1821 -	89,982,428
1805 -	82,312,150	1822 -	93,546,677
1806 -	75,723,271	1823 -	90,875,877
1807 -	69,218,399	1824 -	90,269,778

Years.	Dollars	Years.	Dollars.
1825 -	83,788,433	1838 -	4,857,660
1826 -	81,054,060	1839 -	11,983,738
1827 -	73,987,357	1840 -	5,125,078
1828 -	67,475,044	1841 -	6,737,398
1829 -	58,421,414	1842 -	15,028,486
1830 -	48,565,406	1843 -	26,898,953
1831 -	39,123,192	1844 -	26,143,996
1832 -	24,322,235	1845 -	16,801,647
1833 -	7,001,699	1846 -	24,256,495
1834 -	4,760,082	1847 -	45,659,659
1835 -	37,733	1848 -	65,804,450
1836 -	37,513	1849 -	64,704,693
1837 -	1,878,224	1850 -	64,500,000.?

XVI.—Amount and Description of Taxes levied in France in 1842.

DIRECT TAXES.

The total of the Direct Taxes for the Year 1842 was 396,054,610 francs, divided as follows:—

	Francs.		£	*s.*	*d.*
For the State:					
On Land - - - - - - - - -	187,509,600	=	7,500,384	0	0
Moveables - - - - - - - -	40,800,000	=	1,632,000	0	0
Doors and Windows - - - - - -	26,454,510	=	1,058,180	8	0
Patents, (a direct tax on the exercise of a trade or profession) - - - - - - -	31,066,000	=	1,242,640	0	0
	285,830,100	=	11,433,204	8	0
For the Provinces:					
On Land - - - - - - - - -	52,606,280	=	2,104,251	4	0
Moveables - - - - - - - -	10,887,000	=	435,480	0	0
Doors and Windows - - - - - -	2,426,000	=	97,040	0	0
Patents - - - - - - - -	2,659,000	=	106,360	0	0
	68,578,280	=	2,743,131	4	0
For the Communes:					
On Land - - - - - - - - -	25,901,710	=	1,036,028	8	0
Moveables - - - - - - - -	3,808,340	=	152,333	12	0
Doors and Windows - - - - - -	1,300,040	=	52,001	12	0
Patents - - - - - - - -	1,699,500	=	59,620	0	0
	32,499,590	=	1,299,983	2	0

The taxes above stated should give the amount required; but an additional sum to make good deficiencies is levied as follows:—

	Francs.		£	*s.*	*d.*
On Land - - - - - - - - -	2,252,560	=	90,102	8	0
Moveables - - - - - - - -	740,000	=	29,600	0	0
Doors and Windows - - - - - -	745,350	=	29,814	0	0
Patents - - - - - - - -	4,710,000	=	188,400	0	0
	8,447,930	=	337,916	8	0

When the taxes are collected, a sou is added to each charge to defray the expenses of the paper on which the demand is made; the total of this tax amounts to 698,700 *fr.*=27,948*l.*

Recapitulation of Direct Taxes:	Francs.	£	s.	d.
State	285,830,110	= 11,433,204	8	4
Provinces	68,578,280	= 2,743,131	4	2
Communes	32,499,590	= 1,299,983	12	0
Additional Tax	8,447,950	= 337,918	0	0
Charge for Paper	698,700	= 27,948	0	0
	396,054,610	= 15,842,184	8	6

INDIRECT TAXES.

For the State:	Francs.	£	Francs.	£	s.	d.
Registration of Acts	191,363,000	= 7,654,520				
Stamps	34,475,000	= 1,379,000				
	225,838,000	= 9,033,520	230,882,500	= 9,235,300	0	0
Domains (sale and produce of)	5,044,500	= 201,780				
Woods and Fisheries	34,700,000	= 1,388,000	34,700,000	= 1,388,000	0	0
Customs	117,848,000	= 4,713,920				
Navigation	5,781,000	= 231,240	123,629,000	= 4,945,160	0	0
Excise on Salt	65,904,000	= 2,636,160				
Excise on Wine, beer, &c.	90,468,000	= 3,618,720				
Excise on Sugar	7,425,000	= 297,000	264,413,000	= 10,576,520	0	0
Excise on Tobacco	95,000,0 0	= 3,800,000				
Excise on Gunpowder	5,616,000	= 224,640				
Miscellaneous Taxes			33,646,000	= 1,345,840	0	0
Postage			47,025,500	= 1,881,020	0	0
Derived from Property belonging to the Ministry of Public Instruction			4,349,082	= 173,563	5	7
Total of Indirect Taxes			738,605,082	= 29,544,203	5	7
Direct Taxes			396,054,610	= 15,842,184	8	6
Indirect Taxes			738,605,082	= 29,544,203	5	7
Miscellaneous Items			11,343,450	= 453,738	0	0
Total of Budget			1,146,003,142	= 45,840,125	13	7
Departmental Taxes, not in general Budget			11,200,000	= 448,000	0	0
Algiers			2,390,000	= 95,600	0	0
India			1,050,000	= 42,000	0	0
Total			14,640,000	= 585,600	0	0

General Total - 1,160,643,142 *fr.*=46,425,725*l.* 13*s.* 7*d.*

According to the budget for 1852, the total revenue for that year is estimated at 1,382,663,416 fr.* The expenditure during the same year is estimated at 1,372,978,828 fr. ordinary, and 74,112,268 fr. extraordinary expenses, making a grand total of 1,447,091,096 fr. This would show a deficit of 64,327,680 fr.; but the probability is that it will turn out to be much larger.

* This sum comprises 247,614,824 fr. of departmental funds, and 79,642,966 fr. *réserve de l'amortissement.*

THE END.

London:
Spottiswoodes and Shaw,
New-street-Square.